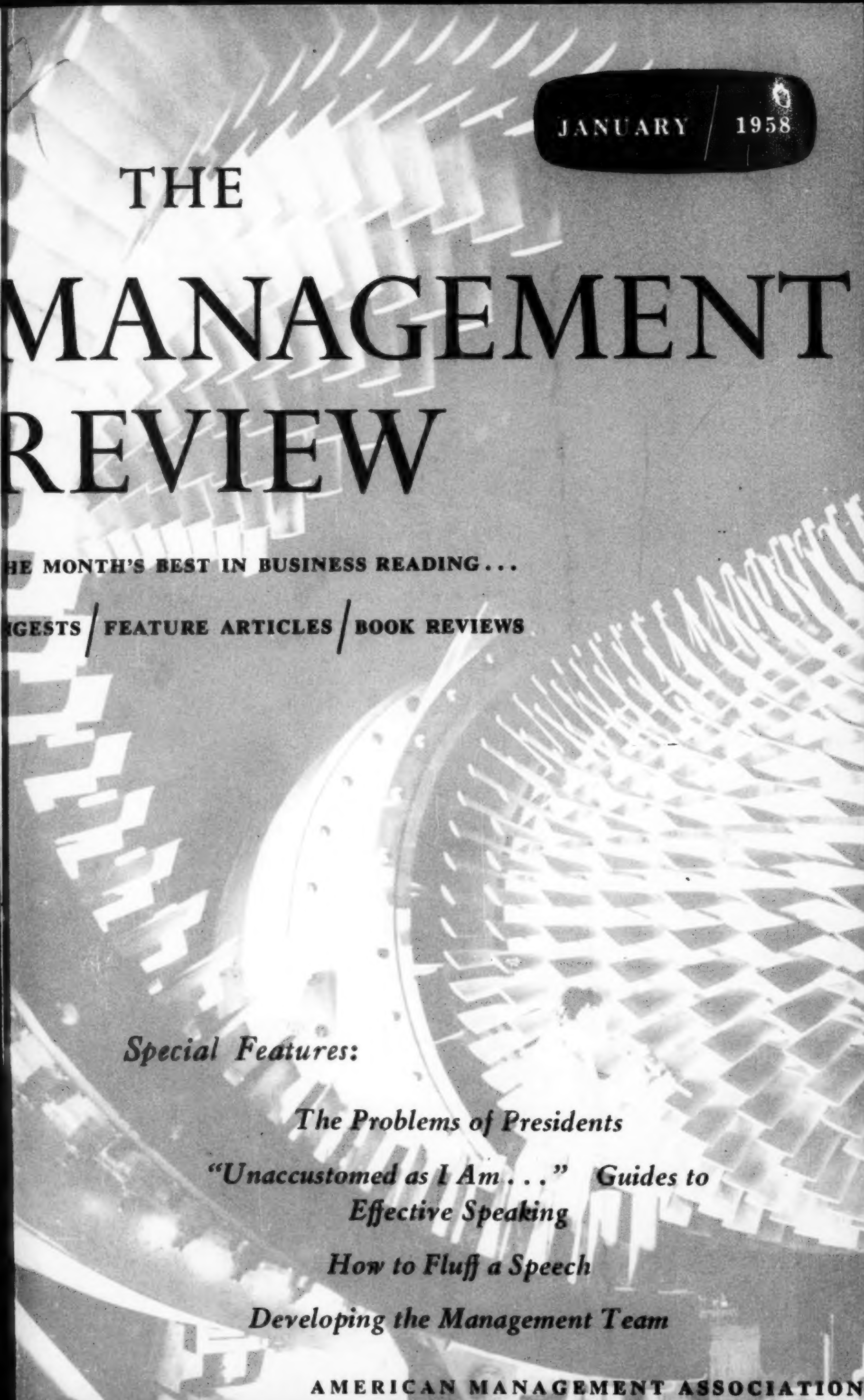


JANUARY 1958

THE MANAGEMENT REVIEW

HE MONTH'S BEST IN BUSINESS READING . . .

GESTS / FEATURE ARTICLES / BOOK REVIEWS

Special Features:

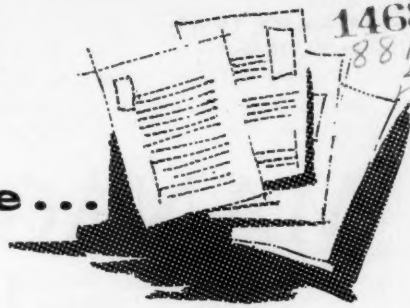
The Problems of Presidents

"Unaccustomed as I Am . . ." Guides to Effective Speaking

How to Fluff a Speech

Developing the Management Team

AMERICAN MANAGEMENT ASSOCIATION



in this issue . . .

- **What Presidents Worry About.** Presidents, by and large, really love their jobs, and would not hesitate to choose the same career if they had it to do over again. This finding, from a recent AMA survey, comes as no surprise if one looks only at the obvious rewards that go with the job. But looking beyond these to some of its burdens, it becomes clear that occasional sleepless nights are a practically universal condition of employment at the top. The survey report by WILLIAM RUCHTI (*The Problems of Presidents*), which begins on page 4, tells what the man in the front office worries about and particularly considers the human problems about which he must sometimes make (as one president expressed it) his "loneliest decisions."

- **And Now a Few Words . . .** Into each executive life some public speaking must, almost inevitably, come. For some managers the occasions are sadly frequent, and—judging from the speeches we have all had to endure—the results are frequently sad. On page 9, JO CHAMBERLIN offers some practical pointers for improved management performance at the podium or conference table.

- **In Top Management's Top Drawer.** 1958 may bring with it some new problems, but it's safe to say that an old one will continue to be one of top management's chief concerns—that of developing and maintaining a really effective executive corps. For details of a company program that has worked with notable success, see KEITH MCHUGH's article (page 18) on *Developing the Management Team*.

- **Our Format.** The New Year has brought a new look to THE REVIEW's pages, particularly in the digest section. We hope you like it.

—THE EDITORS

JANUARY 1958
Volume XLVII, No. 1

THE MANAGEMENT REVIEW

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Cover photograph: National Advisory Committee for Aeronautics

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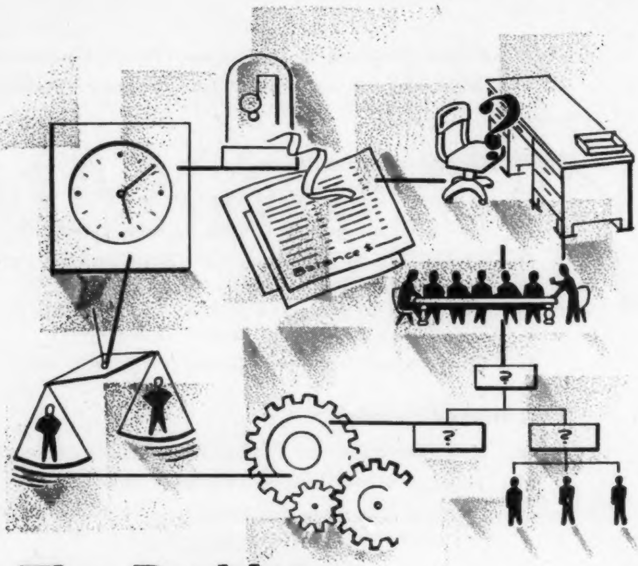

The Problems of Presidents

■ *William Ruchti*

THE EXECUTIVE walked into the office and sat down at the desk across from the psychiatrist.

"What seems to be the trouble?" asked the doctor.

"It's hard to say. I feel under a constant strain. I have trouble sleeping nights. Even when I go away for vacations, I find I can't unwind enough to feel really comfortable."

"Do I understand that you work for the XYZ Company?"

"That's right."

"Then what you tell me is of particular interest. The company has a fine reputation, is run by an enlightened management. I understand they have a great awareness of the emotional needs of their executives, do everything possible to make it a good place to work. Have you discussed your problems with the president?"

"I am the president . . ."

Although couched in light terms, this anecdote* points up the dilemma of the man at the top. Of all the people in an organization, he alone cannot send his problems "up the line" or turn for help to a manager his senior. For he is at the top of the organizational totem pole where, despite the obvious advantages of rank, the most serious problems of the company and its key men ultimately—and inescapably—come to focus. And these problems the president must often face alone.

Just what does the chief executive worry about? Judging from results of a recent American Management Association survey and information gathered at AMA seminars and round-table discussions attended by company presidents, the most pressing, immediate, and continuous concerns are those centering on human relations. Problems of costs, production, and even competition can somehow be reduced to known quantities—at least much of the time. But human problems are often fraught with unknowns and are therefore less tractable.

WHY PRESIDENTS GET GRAY

Development, selection, placement, and appraisal of key personnel are perennial problems for the company president. Where do you get or how do you develop top-caliber people for the important jobs? How do you convert talented specialists into "generalists" who can take the broad view of company problems that is so necessary at higher levels? Once you have groomed young executives to succeed the old, how do you avoid their becoming known as "crown princes" to the alienation and discouragement of other key men? How do you know whether subordinates are operating effectively? And what do you do if they're not?

There are other mazes, as well, for the company's chief executive to thread his way through: He wants to know how to get his subordinates to think broadly and constructively, how to get them to forge ahead on their own, rather than wait for a "starter" from someone else. Once they do display initiative and drive, the problem is sometimes to modify competitive behavior that may disrupt others in the organization.

Presidents apparently also ponder and puzzle over delegation.

* From *The Efficient Executive*, by Auren Uris. The McGraw-Hill Book Co., Inc., New York, 1957. Used by permission.

Those who have worked out their own systems wonder how to get their subordinates to delegate. And what do you do when the man to whom you've delegated authority starts to make an obvious mistake?

These are typical of the questions that fall under the broad heading of human relations problems. Yet it would be difficult to divorce them from another overwhelming problem that presidents almost universally complain about—lack of time.

Every executive knows he can get more done faster if he shuts his door or surrounds himself with protective hedges. But he feels this closed door may shut off communication with people he needs most—his board, his subordinates, his customers. Each man maintains his own uneasy balance between saving time and spending it: ivory tower vs. open door.

These problems and others were brought to the fore in a recent AMA survey conducted among more than 300 company presidents.* One part of the questionnaire asked the top executives to reply to these three questions: (1) What is your most pressing personal problem in your day-to-day business relationships? (2) Can you give an example of a human relations problem you faced in your work recently and how it was solved? (3) What one factor in your training and experience helps you most in your present position?

THE SAMPLE

The total of 335 respondents varied in age from their early thirties to their late seventies; in education, from the 1 per cent who attended only grammar school to the 20 per cent who studied at the graduate level. (Although 60 per cent had been to college, only 13 per cent named formal education as the most important factor in their success today.) In personal income, these top executives have a comparably broad range; estimated incomes range from $13,500 annually to sums in excess of $400,000. Although all respondents are presidents of their companies today, some have served as executives only two years; others, for more than 50.

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* For a detailed portrait of the typical company president based on this survey, *see* "The Man in the Front Office," THE MANAGEMENT REVIEW, September, 1957, p. 5.

Some of their companies gross as much as $6 billion annually, but the average sales figure is $65 million.

CHIEF PROBLEM GROUPS

Analysis of the replies to the three questions suggests that presidents have plenty of practical operating problems—like meeting competition, raising money, handling labor difficulties, and coordinating company functions. In fact, as many as half of all the problems identified in the survey might be lumped into the "practical operating" category. Accordingly, the fact that this article concentrates on the human relations problems does not imply that relationships with people are the sole concern of company presidents. But, judging from the amount of information presidents volunteered on the subject, the human problems are of most immediate concern to the chief executive himself. These will be discussed under four broad categories:

1. Maintaining the management team—including executive development, assignment, promotion, and replacement.
2. Personality problems of individual executives.
3. Communication.
4. Questions relating to the personal effectiveness of the executive himself.

MAINTAINING THE MANAGEMENT TEAM

Company presidents are, in a sense, the custodians of the organization's most important resource—its executive talent. No problem is the focus of more attention and concern on the part of the chief executive than that of building and maintaining a top-notch executive staff.

Today's president not only believes that there's always room for a good man at the top, but he feels that there's room for *many* good men. While deploring the shortage of executive potential, company leaders also indicated what they look for in an executive.

They seek young men with a developed sense of cooperation ("sense of the team") but who have also retained enough initiative to be able to act independently. They want men who are job-centered to the degree where interest and enthusiasm for their work is a foregone conclusion. In recruiting or selecting candidates for

promotion, they seem rather quick to distinguish between the man who cannot see beyond his own particular department or specialty (however competent he may be at it) and the generalist who thinks in terms of total corporation needs, problems, and betterment. Some presidents specify further that young executives must share management's profit motive, an attitude that is apparently underdeveloped among some trainees.

If junior executives have the innate talents to be good executives, the president seems to be confident that they can be taught how to use them. But one respondent laments that once he's found potential executives and delegated power to them, his greatest personal difficulty is "letting them make mistakes." Another is troubled by a young vice president who, although promising, is reluctant to increase his responsibility; the senior executive is helping "by going out of my way to show confidence in his capacities." Another president's problem has been to instill tact in an otherwise brilliant engineer; he's doing so, he notes, "by (a) patience, (b) carefully trying to explain others' points of view, and (c) showing the engineer the practicality of employing others' abilities and knowledge."

ASSIGNMENT AND PROMOTION

Finding good executives is a constant worry, but a more immediate problem, judging by the number of references to it, is assigning and promoting them. These are some of the typical problem situations that respondents cited from their own recent experiences.

1. When one company opened a new plant, the president's problem was to convince a manufacturing division manager that he wasn't yet ready to become plant manager—and still to retain his services. The president accomplished this by personal talks with his subordinate, also requested the intercession of another company officer who had "an excellent personal relationship" with the manager. It worked.

2. Having to choose one of three young and promising engineers for promotion to chief engineer, one company head made his selection, then kept the others happy by rewarding them with new titles: assistant chief engineer and chief design engineer.

(Continued on page 77)

Guides to Effective Speaking

unaccustomed as I am . . .

■ *Jo Chamberlin*

THE EXECUTIVE WHO ACCEPTS an invitation to speak before a group usually does so for one of three reasons: (1) a good friend asked him; (2) he thinks some good purpose will be served; or (3) he can't think of any convincing reason why he shouldn't.

Almost immediately after accepting the invitation, if he is typical, this executive begins to have grave misgivings about the whole idea. Uneasy, he avoids thinking about his talk until the date is almost upon him; then, on the brink of panic, he locks himself in his room and works until the wee hours in a frenzy of preparation. After several days of this crash program, the appointed date arrives; shaken and unhappy, he presents his speech. Afterward, he accepts the congratulations of his friends, but he doesn't really believe them, and he returns to his office vowing anew that he will never make another speech in his life.

If this sounds like a familiar story, it isn't surprising; at one time or another most of us have gone through just such an experience. It's human, it's understandable—and it's wholly unnecessary.

In today's competitive economy, executives are being called on as never before to communicate to others the policies and programs of the companies they serve. Both inside and outside their organizations, they are experiencing fresh proof of the fact that one good way to win friends is to let them see and hear you.

THE GROWING IMPORTANCE OF SPEAKING

Today, forward-thinking corporations view speeches as a vital part of their communications machinery. They value talks by their executives to audiences of a civic, professional, or other character. They believe such contacts are especially important in communities where there is "absentee" ownership or control, or where there are problems with local government or citizens over zoning, traffic, noise, air pollution, and the like. Such corporations are building sound relations with their several "publics"—customers, potential customers, suppliers, shareholders, citizens of plant communities, and many other groups.

Whether a man is talking to 40 men at a Rotary luncheon or 5,000 employees on a television hook-up, the qualities that spell success are the same. They can be described, and they can be achieved through planning and practice. Sounds simple, doesn't it?

And yet, even though he knows his company is giving increasing attention to executive speaking, and that it may be important to his advancement, a businessman is frequently reluctant to make a talk. Why? The usual reason is fear—fear that he is "not a speaker," fear of an embarrassing failure.

STEPS IN EFFECTIVE SPEAKING

The skills of public speaking can be acquired by any executive willing to apply the common sense and organized effort that he puts into any other job. The manager who realizes this has taken the first important step toward becoming an effective speaker.

To begin with, an executive should look upon a speech realistically for what it is: a useful communications tool by which he can advance the interests of his organization and himself. Viewed in this light, and not as a personal challenge to do or die, a speaking engagement is no longer a frightening thing. Keep the heroics out of it. Consider your speech an instrument for reaching certain

people, inside or outside the company, who cannot be reached as effectively in any other way.

WHEN TO SAY YES

Don't accept any speaking engagement until you have given the matter careful thought. Of course, if your company president asks you to speak, you'll probably have little trouble reaching a decision. But an outside invitation should receive careful consideration. You may wish to "rescue" a friend who is a desperate chairman, but in the process you may do yourself a disservice. Find out first: (1) who the other speakers will be, particularly if you are on a panel; (2) where the meeting will be held; (3) the size and kind of audience; (4) the length of talk desired; (5) whether there will be a question-and-answer period; and (6) whether there are any "workshops," discussion groups, or social occasions that you would be expected to attend.

With these facts in your possession, you will be able to determine whether you can give a talk that will be suitable to the audience and its interests—and whether you are well enough versed in the subject to be able to give a good account of yourself and of your company. Then, and only then, will you know whether to say yes or no to the invitation.

If management has something it particularly wants to say, you and your associates should decide where it would be best to say it—to employees and their families, a trade or professional body, a church group, a community or civic organization, or a school or college audience. Some "platforms" are better than others, and audience size is not the sole determinant. Some audiences provide immediate, direct communication goals, such as furthering management-employee, plant-community, or management-shareholder relations. Some audiences, in addition to hearing you, will also print your thoughts in their newspaper, house organ, or professional or trade journal.

WELL BEGUN IS HALF DONE

The people planning the program must have some idea of what you are going to say early, for their announcements and for the information of the other speakers. Telephone or drop a note to

those in charge. Give them a few facts about yourself. Your qualifications and connections give weight to your words.

An interest-rousing title may be hard to devise, but it's worth the effort. It has one purpose—to sell your speech. How about a lively quote, a striking statistic, strong statement of fact, or question addressed to your audience's self-interest? But don't struggle with a title until you have written a first draft of your speech. You may find a good one en route.

As for the length of your talk, it is usually well to heed the clerical axiom, "No souls are saved after twenty minutes." This is the maximum length for an effective talk at most affairs; five, ten, or fifteen minutes may be plenty. There might be some exceptions, however—such as a major address made once a year by the head of a company.

Start early to collect facts and figures. This positive action will also help to relieve your subconscious worries. Consult your librarian, and obtain other material to help you keep your own fresh. Secure the views of your friends and business associates. You probably won't get any fresh ideas from them, but they might give you a good quote or illustrative anecdote. More important, you will learn how much background information you will need to work into your talk. You'll need more with a general audience than with one acquainted to some degree with your topic.

Some of your technical material may have to be revised and expressed in terms familiar to your particular audience. For example, an engineer once made the operation of an automobile clutch perfectly clear to a group of women by comparing the clutch's parts to pie pans and other kitchenware they used every day.

If an assistant or a public relations man helps you prepare the speech, sit down with him and tell him what you want to say. He can't possibly possess your specialized knowledge.

IT'S YOUR SPEECH

But even if a public relations man writes a speech that satisfies you, you must make it your own. Replace any stilted or unfamiliar words with words you ordinarily use. In substance and expression, the talk should reflect your character and personality. Read it aloud, and if it doesn't sound like you, rephrase it until it does. If you

have an opportunity to tape-record your talk, listening to a playback will help you chop out the dead wood.

One meeting in the Midwest, attended by 200 women, was being addressed by a steel company official who had come up through the mills and was noted for his salty speech. When he began, it was clear that he was having difficulty; he missed his usual vocabulary. Finally, he stopped his speech and said, "Frankly, ladies, I ordinarily speak to men. I'm accustomed to use a few hells and damns to say what I mean, and if you will excuse me, I will today." Then he plunged enthusiastically into his subject, and let the hells and damns fall where they might. He got his message across, and the women loved it.

Knowing the probable makeup of your audience enables you to judge your "stance," or how to look and sound to your listeners. Your stance should be that of an equal—a knowledgeable person sharing his experience with others to help solve mutual problems. You want people to feel confidence in you and your organization, to believe it is run by competent people with a sense of human values and an awareness of the responsibilities of industrial citizenship. Don't undersell what your company does, but don't oversell it, either.

It goes without saying that you should not try to glorify or publicize yourself; the work your organization is engaged in and the objectives you seek are the important matters. Such speakers as Churchill and Eisenhower often begin with a story that presents themselves in modest terms, but they go on to discuss matters of significance to everyone present. On the other hand, only an amateur tries to be impersonal. The members of your audience may already know some of the facts. They look to you for analysis, judgment, and interpretation. If you duck this responsibility, you shouldn't be on the platform, but in the audience.

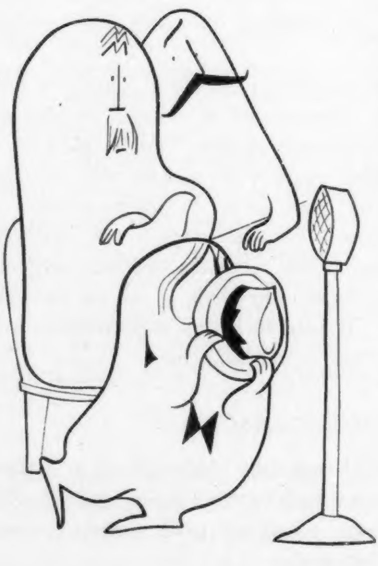
PREPARING THE SPEECH

Dictate or write a first draft of your talk. Although it's a cardinal sin of good speaking to read your speech, writing down your thoughts is the best way to organize them. (You will need written material anyway for press and reprint purposes.)

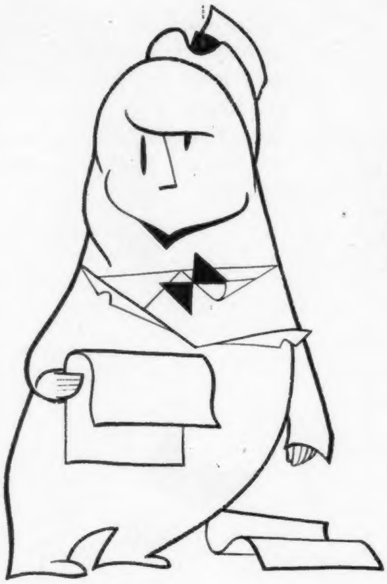
(*Continued on page* 83)

How to Fluff a Speech

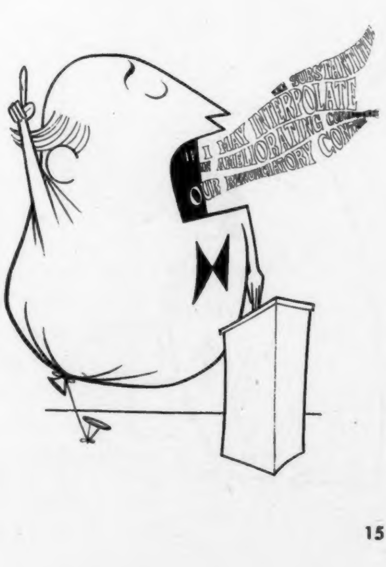
EVER SINCE DEMOSTHENES took the pebbles out of his mouth and climbed up on his soap box, men have been writing and discussing the rules and techniques of effective public speaking. The simple guides outlined below, distilled from centuries of study of the art of oratory, will help any manager toward self-improvement in this vital field. And—perhaps most important of all—the executive who applies them conscientiously will soon find his invitations to speak becoming few and far between, thus keeping his evenings free for less demanding pastimes.



Humble Pie. Demonstrate your humility by pointing out your lack of qualifications and naming several persons in the audience who could speak more intelligently on the subject. Your speech will never disappoint the audience if they've decided from the start that it isn't worth listening to.



One for the Podium. Coffee is for weaklings . . . a little Dutch courage helps make any speech livelier.



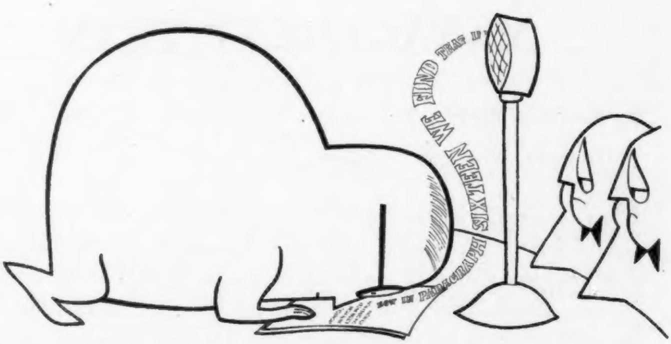
Sound Without Sense. Throw in all the big words and technical terms you can find. Phrases like "the ineluctable modality of the polyphonic" add class to the act. Don't worry about meaning; after the first few sentences, no one will be listening, anyway.

Full Treatment. The only way to let them know you're an expert is to tell them everything you know. Your subject may not be exhausted after a two-hour dissertation, but your audience will be.

That Was No Lady. When you tell a joke, be sure it's an old chestnut from Joe Miller's Joke Book or some other time-honored source. This will avoid making unreasonable demands on the attention of your audience. If it's totally unrelated to the subject at hand, so much the better.

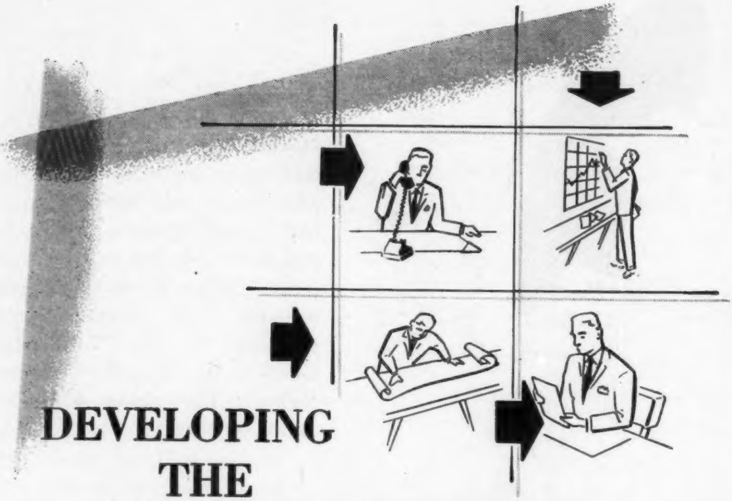
Cliche Expert. If your business has expanded, don't just say so —the accepted phrase is, "Like Topsy, it 'just growed.'" Intuitive action, remember, is best described as "flying by the seat of our pants." And when you talk about "treating the worker as an individual," always be sure to refer to him as "Joe Doakes."

Flexible Flier. Don't bother to find out anything about the group you're addressing; it might involve extra work to tailor your standard talk to fit their interests. What if you don't make it quite clear whether you're speaking to the Needlepoint Guild or the League of Women Voters? *They* know who they are, don't they?



Gentle Reader. Read every word of your speech from a prepared script. This will protect you from making any errors in delivery, as well as insuring that your listeners won't be paying enough attention to catch any mistakes that do slip through. Be sure to glance up every ten or fifteen minutes, however, so you can stop reading when the last of the audience leaves.

■ *Drawings by* AL HORMEL



DEVELOPING THE MANAGEMENT TEAM

■ *Keith S. McHugh*

President, New York Telephone Co.

DEVELOPING THE MANAGEMENT TEAM means developing a successful team. We might agree that this means developing a team that produces and sells a product or service of increasing attractiveness to buyers, that treats fairly those who put their savings into the business, that pays good wages and has good working conditions, and that deals fairly with its employees.

If we accept this broad definition as our over-all purpose in business, we can then break the question of developing the management team down into a few rather simple, but not mutually exclusive, objectives.

1. We must first select and hire men and women with the potential of accomplishing the over-all objectives.

2. We must develop their individual and team know-how.

3. We must help them develop as leaders.

Of course, any company must begin with selection and hiring. At the New York Telephone Co., we have a little more than 14,000 management people. In another ten years we expect to have more than 18,000. If that proves true, we will need, for growth and replacement of existing people, 10,300 new management people in the next ten years—the equivalent of nearly 75 per cent of the present management group. Thus, we must find and develop more than 1,000 management people each year.

RECRUITMENT AND SELECTION

Since we believe in an "up-from-the-ranks" policy, our management consists of men and women craftsmen who show promise, and a smaller number that we hire directly from the colleges. We literally develop those selected from the ground up.

Our experience is that about three-quarters of those who reach important executive posts in lower and middle management are non-college people. Despite this statistic, a college degree is not really a handicap, as it might seem; the proportion of college men increases at higher levels in our organization. Even so, one or two of each ten reaching top management do so without benefit of formal college education. College training of itself is important, but not necessarily an essential attribute of our potential managers.

In New York State, about half of the top 25 per cent of the high school graduates do not go to college. These are the ones we try to attract as craftsmen or craftswomen. Many of them will become important members of our management team and hold important spots in our organization. We plan to continue to fill a substantial part of our management jobs from this group.

The other source of management potential is the college graduate. Each year we visit the campuses of liberal arts and engineering schools to try to tap our share of the men and women available from this source.

College recruiting is far from being a science. Our approach is to have it done by men and women in our company who have worked on the line and who know what it takes to do the job. Recruiters follow up their selections after hiring and learn from their mistakes. They also listen carefully to college placement officers and are guided by their advice; we must get managers, of

course, but it is equally important to all of us that young graduates find the place in our economy where they can make their maximum contributions.

College hires are not immediately trained to be executives. They start on the line, competing with one another and against seasoned craft employees. This gives them fundamental job knowledge and contacts with operating problems and starts them on the right road.

APPRAISING CANDIDATES

The next logical move is to undertake an effective appraisal and progression process. Whether the potential manager is a college hire or a craftsman, the basis of his appraisal is the same. His management abilities and capacity for advancement are judged to a considerable extent by how he performs his present job. This does not mean that the best craftsman is automatically selected to be a foreman. Other facets of a man's performance, i.e., his relations with other employees and his handling of customers, are considered in an attempt to evaluate the whole man. Especially important are his effective intelligence, emotional stability, integrity, health, and enthusiasm.

Appraisals for promotion to and within management, as well as for development, are made by bringing together a group of supervisors and having them discuss their own employees. Facts developed by each supervisor as a result of daily contacts with his people have the greatest weight in decisions. Coordinates of the supervisor participate by asking questions to clarify points and offering opinions if they know the man being considered. Unsupported opinions are worth very little.

This approach, called the Coordinated Group Appraisal Plan, is actually a refinement of a plan we have used for many years—namely, appraisal of a man by his boss, by bosses he has had, and by coordinates of his present boss who generally are in a position to have some judgment of his work. We believe the plan gives us more pertinent and significant appraisal information than can be derived by clinical psychologists or by psychological testing, despite the value of such tests in certain circumstances.

The Group Appraisal Plan has two great virtues. First, it is understandable and it works. Many of our seasoned management

people offer eloquent testimony to its effectiveness in subordinating considerations of seniority or personal preference. We think it results in the selection of the most meritorious candidates.

Second, the training it gives supervisors in making appraisals is good for them too, and this helps to sharpen the whole management selection process.

THE BOSS AS COACH

The development of individual and team know-how must come almost wholly on the job. Here the responsibility rests largely with the bosses in the organization. Of course, we maintain schools for training in craft skills and several kinds of job-related schools for management people, but our main reliance is on on-the-job training.

This concept means that one of the main functions of every boss is to be a coach. In addition to the responsibilities associated with his job, he must create a good climate for development and teach his subordinates to develop themselves. He is the one man in the business who can best bring out the qualities and skills of the younger management people reporting to him. A poor coach can't ruin an exceptional and determined man, but he can slow him down—and he can even make him leave us. A good boss thinks first about how to get his people to develop themselves. He is more pleased than anyone when they advance.

This concept fits our company well, because we try to give every manager maximum responsibility and authority in his area. We emphasize that each manager represents the whole company. In his capacity as coach, he can:

1. Establish and maintain a climate that encourages and stimulates the growth of his people.
2. Guide his subordinates—point the way, using as benchmarks his fuller experience and knowledge.
3. Counsel, giving sound advice—but only when needed.
4. Encourage and demonstrate by example the use of basic management skills and procedures.
5. Give special assignments and arrange for cross-training when he feels it will fill a definite need.
6. Stimulate growth by supplying proper financial and other incentives for outstanding performance.

7. Finally, challenge his people by delegating a full measure of authority and forcing decision-making practice. If this is done early enough in a man's career, the first penalties of wrong actions will not be serious but the habit and rewards of early and sound decisions can be established.

The manager who does these things well is the best developer of the management team.

DEVELOPING LEADERSHIP

The third objective—and probably the most difficult to attain—is helping managers develop as leaders. Really good leaders appear rarely, and it's probably true that they're born, not made. We have countless evidences of families in all walks of life—rich, poor, wise, and ignorant—from which one child suddenly emerges with the great gift of leadership. Sometimes, of course, whole families are gifted, but the whole process seems to be pretty much a matter of chance, or perhaps of some hidden design.

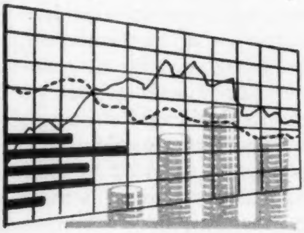
It is because this quality of leadership is so uncertain that it is difficult to know how best to develop it when you find it. Clearly, it may be nurtured and ripened in a proper climate, guided and speeded by a good boss. But it is also true that some individuals show great initial potential and then suddenly peter out, and, conversely, others suddenly gather speed and go far beyond the earlier view of their potential.

The working answer, of course, is to get the best potential leaders one can and do the most you can to help them develop. If this plan does not produce a winning team, more drastic action is necessary, including the importation of demonstrated leaders from other organizations.

Our efforts to help men develop leadership are conducted along two main lines of action. First, we have tried to decentralize responsibility and authority at each level—both because of the size and scope of our business and because we consider it the best way to find out what a man has on the ball. Second, we try to recognize unusual leadership ability as early as possible and keep it growing. Such early recognition means, practically, that promotion must not rest wholly on seniority or experience; any real leadership potential

(*Continued on page* 88)

The '58 Outlook:



202 Top Economists Look Ahead

ON PAPER, the coming business year will top 1957, but it may not be better in terms of actual gains, according to the annual survey of leading economists by F. W. Dodge Corporation.

The trend of the numerical estimates given by the 202 economists for the principal economic indicators is not greatly different from that of the survey a year ago.

However, while their estimated figures are for the most part at new record levels, their comments paradoxically take little note of this fact. Instead, the words "decline" and "recession" appear in the comments with some frequency, and none of the comments expresses real optimism about the immediate future. The apparent paradox seems to arise from the general feeling that the predicted rise of the dollar indicators will be due largely, if not entirely, to inflation.

The comments on the questionnaires point up clearly the principal uncertainties in the near-term future. Among those most frequently mentioned were:

- The possibility that 1958 will, in contrast to 1957, be a "strike year."
- Monetary policy in general, and Federal Reserve policy in particular.
- The stock market.
- The question of whether or not income taxes would be cut this year, and whether corporate income taxes would be reduced even if individual taxes were lowered.

Here are the economists' specific forecasts for nine major economic indicators:

1. *Gross National Product.* On the average, the economists expect a leveling off in the dollar output of goods and services in the first quarter of 1958 at about $440 billion (seasonally adjusted annual rate),

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with a steady rise thereafter to $449 billion by the end of 1958. This would mean an increase of about 3 per cent over the second-quarter 1957 figure (which was the latest one available at the time the questionnaire was printed), and an increase of about 2 per cent during 1958. The economists were very much in agreement that GNP would rise, with well over 80 per cent of the respondents forecasting higher levels by the end of 1958. Practically none foresaw any severe drop. Only 5 set the figure for the end of 1958 at $420 billion or less; in contrast, 27 put the figure at $460 billion or more.

With regard to the pattern of change, 59 per cent estimated a steady increase in GNP during 1958. Another 16 per cent felt that there would be a dip in the first half, followed by an increase in the second half. The remainder predicted various other combinations, with no particular concentration on any one pattern.

2. *Cost of Living*. A resounding 79 per cent of the economists believe that the BLS consumer price index will be higher by the end of the year. The median forecast rises to 122 for next June (as compared with 120.2 for last June), and to 123 for next December. A sizable number of economists (30 per cent) went so far as to put the December figure at anywhere from 124 to 128.

As to the pattern of increase or decrease, a bare majority (51 per cent) predict that there will be a steady increase in consumer prices in 1958. Another 10 per cent think there will be a rise in the first half, with a leveling in the second half, while 8 per cent think the first half will be steady, with a rise in the second half. On the other hand, 13 per cent held out for a steady decrease in 1958, and the remainder foresaw various other patterns.

3. *Wholesale Prices*. The economists took a considerably less inflationary view of wholesale prices. In July of last year, the BLS wholesale price index stood at 118.1. The median forecast of the economists is that it will rise steadily but almost imperceptibly to 119.2 by the end of 1958. However, there is not a high degree of unanimity with respect to the wholesale price trend. Predictions for December, 1958, ranged as low as 95 and as high as 128.

4. *Average Hourly Wages*. The economists were not asked for numerical forecasts in this category, but were asked whether they thought next year's wage trend would be up, down, or unchanged in durable and nondurable manufacturing and building construction. The replies generally predicted an upward trend, but not quite so unanimously as a year ago. For durable goods manufacturing, only 6 economists foresaw a downturn; 24 thought there would be no change; and 171 said the trend would be upward. The pattern for nondurables was not quite so strongly upward, with 152 forecasting a rise, 38 foreseeing no change, and 9 indicating a downturn. For building construction, the pattern was almost identical to that for nondurables, with the figures at 149 up, 42 no change, and 9 down.

5. *Industrial Production*. While the economists expect GNP to rise modestly this year, they are much

more cautious with respect to industrial output as measured by the Federal Reserve Board's index of industrial production. This discrepancy tends to confirm the general impression that the increases this year will be largely confined to those indicators measured in dollars, since the index of industrial production is in terms of physical output. In June, 1957, the index stood at 144. The median forecast of the economists is that it will be at 146 by December, 1958. This would be an increase of about 1 per cent over the 18-month period, in contrast to the 3 per cent increase estimated for GNP.

Predictions of the pattern of industrial production trends are mixed. The largest group of economists, 34 per cent, expected a dip in the index in the first half of the year, followed by a rise in the second half. Another 30 per cent forecast a steady increase, while 16 per cent felt the trend would be up in one half and steady in the other, with most of these putting the "up" in the second half. Some 15 per cent looked for a steady decrease during 1958, and the rest indicated other combinations.

6. *New Plant and Equipment Expenditures.* A year ago the economists on the panel correctly predicted that 1957 plant and equipment expenditures would rise to a total of about $37 billion. In the current survey, the economists are in substantial agreement that 1958 will witness a mild reversal of this trend. The median forecast for 1958 plant and equipment expenditures is $36 billion. Only 20 per cent foresee any increase over last year's $37 billion. About 14 per cent expect no change, while 66 per cent expect a decrease. Very few (only 5 per cent) expect the figure to fall below $32 billion, however.

7. *Total New Construction.* On the average, the economists look for no change in the dollar volume of new construction put in place in 1958. In the first half of 1957, the value of new construction was running at an annual rate of about $47 billion, and the median forecast of the economists is that this rate will continue in both halves of 1958. They do not show any great degree of unanimity on this point, however, with estimates for the second half covering a wide range. About 10 per cent thought the figure would be $49.5 billion or higher, and about the same number picked $43.5 billion or lower. Most of the replies (55 per cent) ranged from $46 billion to $48 billion.

As to pattern, 32 per cent of the economists expected a steady increase over 1957 in both halves of 1958, while 22 per cent foresaw a steady decrease. Another 16 per cent felt that the first half would be down, while the second half would increase, and 7 per cent saw the first half as steady, with a rise in the second half. Another 7 per cent expected no change at all, and the remainder expected various other combinations.

8. *New Housing Starts.* The economists are a little more optimistic about the number of privately financed non-farm housing starts. The seasonally adjusted rate in the first half of 1957 averaged 957,000. The median forecast for the first half of 1958 was 1,000,000, and this figure was chosen by more economists

than any other. For the second half, the median was also 1,000,000, but 1,100,000 was predicted by about the same number of economists. There were very few extreme estimates in either direction. Only 12 economists picked figures lower than 900,000 for the second half of 1958, and only 8 gave estimates of 1,200,000 or more.

9. *Personal Consumption Expenditures.* Judging from the specific estimates as well as from the comments of the economists, consumer spending appears to be the brightest light on the 1958 horizon. In the first half of 1957, the annual rate of personal consumption expenditures was $278 billion. The median estimate for the full year 1958 is $285 billion. While there is some spreading out of the forecasts for 1958, both upward and downward, far more economists expected very high figures than very low ones. For example, only 8 per cent thought the 1958 figure would be lower than $275 billion, while 36 per cent said it would be $290 billion or above.

■ *George Cline Smith.*
ARCHITECTURAL RECORD,
November, 1957.

Ad Budgets for '58: Higher Outlays to Meet Higher Costs

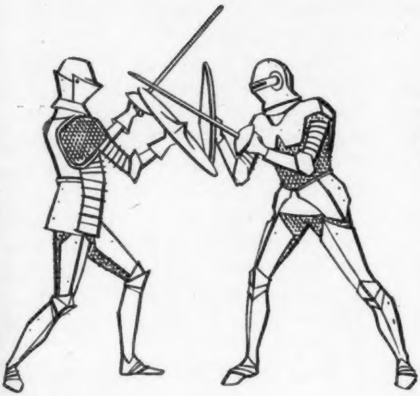
ALTHOUGH U.S. BUSINESS is likely to spend more than ever on advertising in 1958, increased outlays planned by many companies will reflect only higher advertising costs, according to a *Wall Street Journal* survey of 48 major corporations.

Of the 48, a resounding majority of 33 plan to increase ad spending in the first half of 1958, while 11 expect to hold outlays at about the same level as a year ago. Only four said they intend to cut spending. More than half of the companies which said they plan to boost their budgets named the increased costs of advertising as the reason.

Although some companies forecast sales declines and many predict only modest gains, few say they are boosting ad spending to perk up sales. On the contrary, such companies for the most part say they'll gear advertising outlays directly to their expected sales totals. For some, this will mean lower ad spending.

Charges for time or space in such advertising media as radio, television, magazines, and newspapers rose by about 5 per cent in 1957 and advertising executives look for a further increase of from 6 to 9 per cent during 1958. In addition, advertisers complain that other costs are rising, too, affecting such operations as the printing of circulars and the creation of displays and exhibits.

—Daniel M. Burnham in *The Wall Street Journal* 10/31/57



Win that Conference!

How to triumph in the battle of the modern Round Table . . .

At King Arthur's Round Table there was one chair called the Siege Perilous. It was fatal to all occupants except the knight destined to find the Holy Grail. King Arthur is dead now, but the Siege Perilous is still with us. You'll find it at every conference table you're called upon to grace in today's meeting-mad business world.

If you really mean to be on the Way Up, you must learn to recognize the businessman's Siege Perilous at once—know when to sit in it and when not to touch it with a 10-foot pole. Or else you may well be on the Way Down.

In theory, it's all very simple. Occupy the Siege Perilous when you can make it the driver's seat. Make sure somebody else is in it when it's the electric chair. In practice, however, this requires perfect timing, a certain ruthlessness, a crafty mind. Still, the game is worth the candle. A man who can learn to control the Siege Perilous can win many a big meeting. And where better than the conference room—a knotty problem, the boss present, ice cubes tinkling nervously in the water pitcher—to establish yourself as a Man to Watch!

There are certain ruses and gambits that, if studied carefully, enable a beginner to take a turn in the S. P. with a minimum of risk. A few of these stratagems are given here.

It's wise, in the earliest stages of slipping in and out of the Siege Perilous, to have an accomplice. Here are three proven ways to get the feel of the S. P. with the aid of a partner:

1. Burst into the conference room just as the meeting is about to begin. Make your chair the Siege Perilous by saying triumphantly to your partner, "I figured it right, Jim—the two factors cancel out. We're in business!" At this point have Jim chortle, guffaw, or make a circle of thumb and forefinger. Let everybody else spend the meeting wiping nervous palms and waiting for Something to Happen. Don't say another word,

look smug, and leave with Jim as soon as the conference is over.

2. Scrawl a quick note and have it passed around the conference table to Jim. Have him read it with a low whistle and give you a look of admiration. Chuckle, and begin another note. Make them unsettling, baleful, cryptic. Beginners may find these examples helpful:

"I'll make the goal, Jim. You try for the extra point."

"They're painting the new names on the office doors this afternoon."

"There are about 216 bones in a horse's skelton, excluding the teeth."

3. Take advantage of an old conference cliche: "I'll get that information for you." Have Jim open a meeting by nodding toward you and saying, "I guess we're all pretty eager to have the information Tom promised us today." Give Jim a wry grin and reply, "It took some doing, but here it is. The new figure is two million seven zero five five, and should be remultiplied and corrected on all the reports. And, as the Old Man says, 'Heaven help the fellow who doesn't remember *that* one!'" There will be a flurry of pencils and many stricken looks, but nobody will be so foolish as to admit he has no idea what you're talking about.

Trouble looms if you succeed with these early tries in the Siege Perilous. Stunned and angry colleagues will try hard to get you in the S. P. when it's most lethal. They'll make complicated, ambiguous statements, then turn to you and say, "What's your thinking on that one, Tom?" Many beginners panic at this stage, and forfeit all their early gains. But a man destined for glory in the Siege Perilous can actually profit from these challenges.

One way to do this is by letting your answer place everyone present on a cultural level from which they dare not descend: "Well, gentlemen, I think Pliny the Elder had the answer to that one when he said, 'Post hoc ergo omnia vincet sum.' Am I right?" Chances are overwhelming that your reply will draw several sage nods, at least one "Hear! Hear!" and a refined ripple of laughter.

Then there's the scornful, vaguely foreboding answer, given after staring your tormentor in the face for a few seconds and asking him to repeat his statement. (Often he's unable to do this, and you win hands down.) This answer is almost infallible. It consists of saying with proper emphasis, "Yes, I suppose we *could* do that. And we *could* all go out in the corridor and play 'Run, Sheep, Run!'" The idea of grown men gamboling in the halls during business hours is, for some reason, extremely disturbing. You'll rarely be bothered after making this statement four or five times. Indeed, you're probably now ready to absorb some of the more exacting methods of using the Siege Perilous.

Naturally, every man who gains even slight success in the S. P. comes under the careful scrutiny of the boss. As an intermediate, a great deal depends on your skillful use of the S. P. to win this man's further confidence and esteem. A four-step system to make the boss a loyal friend has been developed over the years. It's published here for the first time.

1. Remember that the boss's opening remarks are extremely important.

Usually he'll preface them by saying, "These aren't the right words, and I certainly want you to kick them around, but . . ." Freely translated, this means, "These are exactly the right words, and woe to the idiot who says they're not!" While pretending to doodle, copy down the boss's thoughts, shuffling their order and changing a few adjectives. Fold up the piece of paper and sneak it into your pocket. Produce it at an opportune moment and say shyly, "Here are a few ideas I jotted down off the top of my head last night." Read them aloud.

2. This simply involves calling the boss by his first name. It's doubly effective if done immediately after somebody at your job level has called him "Mr. Smith" or, even better, "Sir." Be casual about the whole thing and say, "Well, Basil, it seems to me . . ." This is a highly impressive show of strength.

3. In every conference group you'll find one man who rubs the boss the wrong way. He's prissy, pessimistic, or pedantic; or he resembles the boss's black-sheep brother-in-law. This fellow sizzles in the S. P. every time he opens his mouth, which is usually often, and you might as well use him. Take the exactly opposite view of everything he says. You'll be right as far as the boss is concerned.

4. Almost every boss has a Secret Dream. Most times it's some innocent, romantic little fantasy he and his wife share. They'd like to spend the rest of their lives in a houseboat on the Amazon, or excavating lost cities, or playing summer stock. Discover the dream your own boss cherishes. Then one day when a conference is going badly, shake your head and say, "I don't know. Sometimes I'd like to chuck it all and just wander around collecting early American needlepoint." Your associates, ever on the alert to get you, will leap to the bait. You've given up on the problem at hand, shown escapist tendencies, flipped your lid. Endure their japes and jibes for a few moments, then turn and exchange a long, long Jack Benny glance with your boss. *Everybody* has clambered into the Siege Perilous at the wrong time except you. The battle is over. The boss is yours.

■ *Bill Conklin.* TODAY'S LIVING, *The New York Herald Tribune Magazine* (*© 1957, New York Herald Tribune, Inc.*), *November 24, 1957, p. 4:2.*

OPERATION TRAINING: At Lycoming Aircraft Co., machine operators are trained on productive work, but not under production quotas. A school established in one section of the plant contains machines that produce needed parts, but not as part of the production lines. Trainees, working under close supervision, are tried on various machines to see where their aptitudes fit best. Any good work they turn out is welcomed, but a spoiled piece does not bring down the wrath of a foreman with a quota to meet.

—*Steel,* Vol. 100, No. 22

IF WE ARE TO CATCH UP IN SCIENCE . . .

THE first Russian satellites, swinging around the earth at five miles a second, told us that a great despotism is now armed with rockets of enormous thrust, and guidance systems that could deliver a hydrogen warhead of one or more megatons to any spot in the United States.

If that were all, it would be warning enough that we must take thought and take action. But the truth is still worse.

We have not merely fallen behind in one sector of our defense effort. We are becoming enfeebled in our basic ability to make a defense effort: the Soviets have been producing more scientists and engineers than we, training them at least as well as we, and channeling them into crucial areas more realistically than we. If we maintain our present growth we may graduate some 55,000 engineers in 1965—roughly as many as the Russians graduated in 1955.

Responsible men are now generally agreed that conventional methods—the bait-and-boxtop method of encouraging students, the conference-and-cliché method of planning policies—are not adequate. What is needed immediately is a fundamental revision of our attitude toward scientists, our training of scientists, and our use of scientists. This is a prodigious task, but, as Toynbee has pointed out, it is not security that makes the greatness of a nation: it is challenge.

Let us take stock of our position. To what extent are we the helpless victims of Russia's greater size? To what extent is a totalitarian state inherently more efficient than a democracy? To what extent are our difficulties due to mistakes that we can correct?

The Russians outnumber us, and man for man they are as educable as we are. The Soviet educational system is overcrowded and patchily

equipped—apparently more so than ours—but its standards are high, its morale is high, and it has shown that it can adapt itself and expand itself with startling speed. Every Soviet scientist is ready to teach and thus further enlarge the scientific community. The ordinary American scientist or engineer is not ready to teach, because the salary and the prestige are too low, and also because teachers colleges and certifying authorities have so often told him he is not.

However, we still have by far the highest productivity per worker and a people accustomed to technology. By pooling the free world's resources and brains, not alone in science, we may partly overcome our numerical disadvantage. But our main effort must be in quality, not quantity. We must educate our scientists and engineers as individuals with imagination and a high degree of leadership. And we must use the creative powers of the technicians and working force to amplify their efforts.

A totalitarian state can select and train its ablest youth as scientists, concentrate its scientists in military areas, and keep its population on a bleakly obsolete standard of living. Our industry, in contrast, is basically consumer-oriented, and so is our education.

But we should not be deluded into thinking that dictatorship is necessarily more efficient than liberty. Fear, the high price of failure, and the unscrupulous use of power by the mediocre take a heavy, if hidden, toll of research under dictatorship.

We must not commit the same folly of conscripting students and dragooning engineers. The voluntary principle is the very thing we are defending in the cold war.

However, virtue is not a military force except if it trains men to sacrifice; freedom is not a military force except if it inspires men to sacrifice. Without sacrifice we shall have neither our virtue nor our freedom. The Russians have sacrificed human values. What can we sacrifice?

We can profitably double the portion of our national income which we devote to education—which is no larger than the portion we devote to relaxations like tobacco. We can profitably double the portion of the national income we devote to basic research—research whose applications have not been decided on in advance.

These need not even be sacrifices of our goods, much less of our values. Those who have been repeating these warnings for the past five years have been accused of advocating guns instead of butter. But this is not the point at all. There is no "either/or" in modern technology. A high proportion of the post-war development of consumer production in the United States was based on wartime basic research undertaken and financed for military purposes.

But it is neither Russian size nor Russian concentration on military technology that is chiefly responsible for our relative weakness. It is our own smug attitude toward science.

Our whole culture has been taking the benefits of science for granted, and taking scientists for granted—or worse. In Russia, the scientist and engineer are respected, and there is no difficulty "motivating" children to study science and mathematics. Dr.

H. H. Remmers of Purdue, however, surveyed a cross-section of American high-school students and found that 45 per cent of them think (perhaps rightly) that their school background is too poor to permit them to consider science as a career, 30 per cent believe one cannot raise a normal family and be a scientist, 25 per cent think scientists are "odd" and 14 per cent think they are "evil." These reflect parents' attitudes and the anti-intellectual images conveyed in the press, comic books and television.

In industry itself, according to a survey this year by the National Society of Professional Engineers, "appreciable numbers feel that the engineer is accorded less importance than the production and sales departments."

What can we severally do, through our government, through our educational system, and in industry?

The government cannot legislate scientists into being. But most educators favor a broad program of federal scholarships, some of them pointed toward the sciences.

Similarly, the research policies of the federal government should be boldly reviewed, in both budgeting and administration. Over half the nation's research and development funds have been coming directly or indirectly through the federal budget. The government has starved research, however, even in vital defense areas, in order to work within what many fiscal authorities now concede to be an unrealistic debt limit. More, not less, government-sponsored basic research should be channeled to uni-

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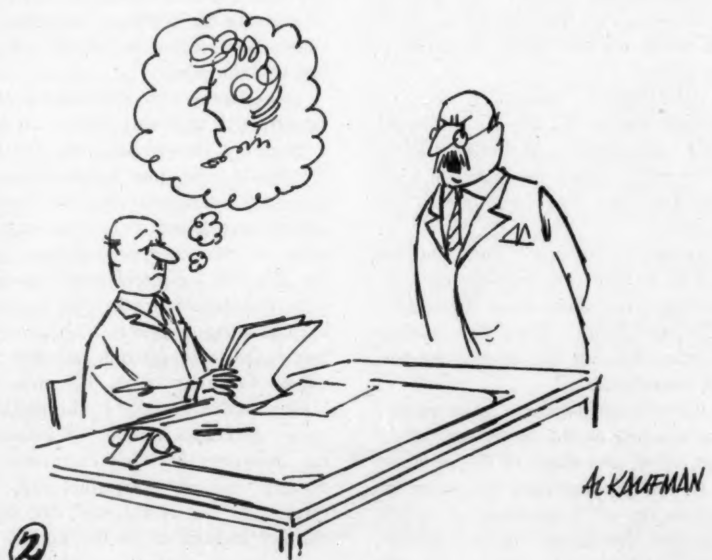
versities, where it can be done without loss of the teaching powers of our ablest minds.

However, the government and the schools can only predispose the country toward a solution to the problem of full use of its technical potential. The actual solution rests largely with industry.

The most crucial area for immediate improvement is in "lead time," the lag between an idea and its realization. It may take as long as seven or even nine years from the beginning of basic research for a project to move through its research, development, design and production engineering stages into actual operation. This is too long. The Russians appear to work on a much tighter schedule, in some cases only one-half as long as ours. We need a major advance in management, throughout civilian industry as well as defense, by which these stages no longer will follow one another serially but will overlap, each starting while others are still being worked on.

If we have learned the lessons of the past ten years, the shocking Russian successes of the moment may well be our great opportunity. In winning a propaganda victory, the Russians may have given us the warning and the chance we needed to reestablish our technological supremacy and to vindicate our traditional freedom.

■ *John R. Dunning.*
THE NEW YORK TIMES MAGAZINE,
November 10, 1957,
p. 19:5.



Packages used to be merely containers; now they're vital to effective retailing, and this has become an important question . . .

How Good a Salesman Is Your Package?

WITH TODAY'S growing trend toward self-service retailing, the role of the salesman who used to be behind the counter has been taken over by the package containing the product. Here are some of the things a well-designed package should offer the consumer in order to successfully carry out its increasingly important sales role:

Convenience. Does the package hold enough of the product to satisfy his needs without being too bulky or too heavy?

Adaptability. How well does the package fit into his freezer, cupboard, glove compartment, or dresser drawer?

Security. Does the package make him feel that you have given him quality?

Status or prestige. Does he feel that by buying your package he is expressing something about himself?

Dependability. Does the package let him feel that he can rely on you, the manufacturer?

Esthetic satisfaction. Is he pleased and satisfied by the impact of the design, color, and shape of the package?

A good package does not create the personality of a product; it merely expresses personality in a dramatic, easily recognizable way. On the other hand, a bad package or design contradicts, underplays, or undermines a product's personality. For example, cake is a dessert that signifies abundance to most consumers, but often we find the illustrated cake cramped on one side of the box, covering not more than 60 per cent of the surface. One way to bring out the cake's true personality would be to redesign the package, enlarging the illustration so that it "bleeds" off the box on both edges.

Sometimes a new and more tasteful design, high in status value, can alter a product's personality and give it a prestige it never had before. Whiskey decanters designed by well-known artists have given a new prestige to some of the cheaper whiskeys. But this kind of "counterfeiting" involves risks that should be taken into account by packaging designers and manufacturers. One investigation revealed that while, in many cases, the new decanters added prestige to the product, in a significant number of instances the consumer felt that expensive decanters forced manufacturers to "make up the difference" by using cheaper ingredients in the liquor.

To be successful a package must

accomplish the following things when it is on display:

1. It must achieve a "reaching out" quality.
2. It must provoke uninterrupted inspection by the consumer.
3. It must "disappear" and permit the consumer to rehearse the purchase and use of the product.

The package on the shelf must provide tension-producing design factors that cause the consumer to interact with it from a distance. Through its design, color, or some other outstanding feature, it must break through the brand fog created by the many competing products on the same shelf.

However, the package that reaches out to the consumer does not always wind up in the shopping basket. It must have just enough design tension —not too much—to clinch the sale. Research has shown that too much design tension overexcites the consumer so that he cannot "see" the product because of the package.

"This hand lotion has a gorgeous package—all tutti-frutti and tinsel," one shopper said, when questioned by a market researcher. "No, I never tried the lotion. It's probably too rich for my blood."

Thus it is clear that a package must not emphasize its own personality at the expense of the product inside. In fact, the effective package must virtually "disappear" at some point in the purchase process, while the product itself comes forward to become the "figure" that is seen, related to, and remembered by the consumer.

Sometimes this means that an effective package should be made of transparent materials. Often, the reverse is true. When we buy sausages at a meat department, we want the package to fade into the finished product—the hot, crisp, aromatic meat—and not into the cold and greasy food we see through the plastic envelope.

Sometimes the package refuses to disappear. In the case of a nationally advertised food product, the package radiated light-hearted gaiety and frivolity, a mood that completely contradicted the function performed by the product. Because of this contradiction between the package and the product personality, the package failed to ring a bell in the mind of the housewife, or even generated disbelief and suspicion.

Effective packaging is a process of constant renewal and revitalization. Packages grow old and tired, losing their impact on the customer. This creates for the manufacturer both a challenge and an opportunity to develop fresh, new designs that will enable the package to successfully perform its role as a salesman.

■ *Ernest Dichter.*
PACKAGING PARADE,
September, 1957, p. 63:4.

MEN ARE NOT INFLUENCED by things, but by their thoughts about things.
—Epictetus

Unions Offer Fringe Benefits, Too

EMPLOYERS AREN'T THE ONLY ONES granting more benefits to employees; trade unions are also stepping up the number of "fringe benefits" they offer their members. In some cases, these benefits are paid entirely out of member contributions, but costs are frequently met out of employer contributions to union health and welfare funds. These additional union benefits now include housing projects, health protection, education benefits, life insurance, banking, and retirement planning.

Here are a few examples of what some unions are doing:

- The New York Building Trades Council has sponsored cooperative housing projects, financed in part by the pension and welfare funds of its member unions. Other unions, such as the International Ladies Garment Workers, have already built union-financed apartments.
- A contract between the Seafarers International Union, Atlantic and Gulf Districts, and the steamship companies provides for the operation by the union's welfare fund of four medical clinics to offer diagnostic services for union members.
- The United Mine Workers' welfare fund has built ten hospitals, and other unions have rest homes and clinics for members.
- The Amalgamated Clothing Workers Union owns the Amalgamated Life Insurance Company, which exists "only to handle the policies paid for by the separate industry funds to which the union is a party."

A host of other ideas have also popped up in the form of retirement villages, art exhibitions, bowling tournaments, orchestral concerts, and even hotel operation.

—*The Journal of Commerce* 9/27/57

Health Insurance Payments Score New Highs

BENEFIT PAYMENTS to Americans covered by voluntary health insurance through insurance company policies were 15 per cent higher during the first nine months of 1957 than for the same period the year before, according to the Health Insurance Institute. During this period, an estimated $1.8 billion was paid to help cover hospital and doctor bills and to replace income lost because of accident or sickness.

Benefits paid under group health insurance policies covering hospital, surgical, and medical care and loss of income totaled $1.3 billion during the nine months, an increase of 20 per cent over the same period for 1956. The rise in benefits under individual and family type policies was over $469 million, an increase of 4 per cent.

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a $500 million
business today,
and still growing . . .

Management M. D.'s Come of Age

AN UNSHAVEN CHARACTER named Rex V. Lentz, clad in patched shirt and dirty blue jeans, shuffled into a Dallas bank not long ago and shoved $2,000 in crumpled $1 and $5 bills across the counter, carefully observing the teller's reaction. Next day, Lentz came back clean-shaven and dressed in a snappy sports shirt and deposited the same amount. On the third day, he was back again, dressed to the hilt in a smart, conservative business suit, to deposit $2,000 in crisp new $50 and $100 bills. He was playing no game of make-believe. Hired by the bank to analyze its business, management consultant Lentz had a sober purpose: To check on its customer relations by noting the varying treatments he got from tellers when he appeared in different outfits.

In return for a vast range of assorted services, Lentz and 13,000 other U.S. consultants last year collected roughly $550 million in fees. Three quarters of the nation's major companies use consultants at one time or another; other clients may range down to ten-man tool shops or service stations. With the consulting business already growing at a rate of 10 per cent a year, the squeeze on profits and the hotter competition for new markets in U.S. business can do nothing but increase the demand for its services.

Despite these clear and present signs of its success, the consulting business still isn't universally accepted. Some businessmen are em-

barrassed to call in a consultant, fearing that they might thereby reflect on their own managing talents; others are afraid that the appearance of an "efficiency expert" (a term most management consultants loathe) would hurt employee morale.

But most of the resistance is caused by doubts over what a consultant is and what he is supposed to do. Consultants themselves are hard put to define their profession, and aren't even sure that it is a profession at all (while most refuse to advertise, a few rebels tout their services like so many high-pressure insurance salesmen).

Recently the "profession" took a big step toward solving one of its own top-management problems. A committee of leading consultants, working with the Association of Consulting Management Engineers, completed the first part of a five-part study to "fix the qualifications needed for management consulting work and the factors which lead to high quality on a management-consulting engagement."

The fact is that the consulting profession has been complicated by its own success. In the earliest days of "scientific management," the typical consultant was a time-and-motion man with a stop watch who measured workers' efficiency against the immovable standards in his black book. As consultants got more prestige, however, and were given more important tasks, their job became proportionately less "scientific."

Today, their recommendations bring mergers, reorganizations, and executive reshufflings, help companies boost sales or cut costs, find new products, new markets, or new management blood (some consultants occasionally step in to run a client company as president pro tem until the client is back on its feet). They move in the top echelons of policy-making, contending with such imponderables as consumer buying resistance or executive drive.

Arthur Slade of New York's Rogers, Slade & Hill estimates that half of its clients retain his company to carry out specific consulting jobs, while the other half "regard the firm, or individual members, as confidential consultants on any matter of major concern to top management. This is not so much advisory as it is pre-decision idea swapping." Robert Dick, executive vice president of George Fry & Associates, sums it up in another way: "Company presidents get lonely up there. They like someone they can bounce ideas off."

While firms like these range the whole field of top management, others concentrate their services. Some are industry specialists, working only for steel companies or railroads or textile firms. Some specialize in certain management areas, such as marketing or finance.

Detroit's Florez, Inc., a marketing consultant, is so specialized that it doesn't hesitate to hire a management consultant itself on such matters as cost control or recruiting. And companies outside the consulting field altogether are moving into it. Accounting firms, for example, have set up management service divisions to advise clients on financial matters; advertising agencies have set up marketing affiliates to advise top management in sales problems.

Consultants have to get along with the top executives who hire them, and with employees whose hostility could mess up the job. Atlanta's Victor Tabaka & Associates, running a job-evaluation program for Gulf States Paper Corp. that called for interviews with plant workers to determine job scales, set up its interviewers right in the mill. "We wanted to avoid giving the impression we were closely associated with management, since we had to get the confidence of the men," explains consultant Katherine Koonce. "Day after day we interviewed men with the temperature running 104 and 105 degrees. But the union and the management both accepted our findings."

Setting up a wage-incentive plan for the M. H. Detrick Co., a consultant for Chicago's John A. Patton Co. was heckled at a mass meeting by a foundry worker who said he "wouldn't stand for any time-study interfering" with his work. "Our plan was to train two union men in time-study work so they could stand up to management intelligently," recalls the Patton man. "We picked this fellow as one of the two, and once he saw what we were after, he took right over. Within three years he was manager of the foundry."

The fees for this kind of diplomacy and skill can run high; consultants get anywhere from $50 to $200 a day for their work, and a partner in one of the top firms may pull down as much as $500.

Why should a healthy company shell out this kind of money for counsel? The most important reason, most clients agree, is the objective viewpoint which a consultant can bring to bear on a business problem, and the fresh ideas he can bring to management and to the employees. For example, a client company of George Fry & Associates had its sales files cluttered with 120 classes of regular reports. "Each one was somebody's baby," recalls a Fry consultant, "and nobody wanted to hurt anybody else's feelings." Fry quickly pared the files down to 22 kinds of reports ("one way of working was just to cross a report off the list for a while; if nothing happened, you knew you didn't need it").

Once a businessman has decided he needs a consultant, he still has the problem of getting a good one. Anyone can hang out a shingle as a management consultant, and the quality of counseling ranges from brilliant to abysmal. Some firms virtually pick their staff off the street, have their "consultants" memorize a routine course in management, and resort to boiler-room techniques to sell "package" counseling programs (some are outright frauds, promising consultation for a ridiculously low fee, then walking out without making any recommendations unless more money is forthcoming to finance further "study").

In contrast, a firm like McKinsey & Co. interviews 500 men (most of them from graduate business schools) for every one it hires, and continually checks out its staff "to make sure counseling is their dish of tea." Some consultants become so proficient, in fact, that their clients can't resist luring them away.

■ *Sandford Brown.*
NEWSWEEK,
October 28, 1957, p. 85:4.

13 Tips for Strengthening Your Recruiting Program

With major shortages of scientists, engineers, salesmen and other personnel still continuing, the recruiting task today demands more of management than many companies have seemed willing to put into it—more thought, more time, more planning, and more money.

What can be done to improve the efficiency of your search for men? Here are some tips which can be helpful in re-evaluating your present program or initiating and organizing a new program.

1. *Study your most productive employees.* It will save you time and money if you concentrate your search upon seeking men like them, and it may cut turnover. In the jargon of the researcher, find the "personality profile" of the typically happy and satisfied employee.

2. *Study your sources.* Many firms spend too much time and money where prospects are slim; some put almost their entire effort into college recruiting in spite of the fact that only 39 per cent of men hired come from schools. Others concentrate their efforts on conventions and meetings, where competition is so intense that it is growing increasingly difficult to get any tangible results.

3. *Maintain a continuing program.* The lead time between finding men and putting them on the payroll is growing longer. Some of your prospects will not be ready to change jobs when you want to hire them, but a continuing search will enable you to be more choosy. If you lose men unexpectedly, or a sudden need arises beyond normal requirements, you'll be prepared for it with a backlog of prospects with whom you've maintained contacts.

4. *Define duties and responsibilities.* Are you using the recruiting skills of men in your organization to best advantage? Can engineering, sales, or research help uncover sources that haven't been tapped? Can sales help recruiters in preparing the best method of presentation? Can advertising help with selection of media and copy approaches? Can public relations help to create a desirable climate and build a favorable employer image?

5. *Look for hidden assets.* Your firm is the product you sell to prospective employees. In your history, reputation, location, personnel, or industry there may be important selling points that have been neglected because no one has bothered to look for them.

6. *Tell your story in advance.* Interviewers have limited face-to-face

time with prospects. The less time they have to spend answering questions about who you are and what you do, the more time they will have for probing, evaluation, and creative selling. Use trade magazines to reach employed men, college publications to reach students, general magazines to create a favorable employer image, and literature to put in hands of prospects before interviews whenever possible. Pre-selling makes the recruiter's job easier and more fruitful.

7. *Follow up interviews and responses to advertising.* More prospects are probably lost through failure to do this than in any other way. Interviews are only necessary first steps; the prospect may have many more interviews lined up, particularly if he's actively seeking a change. Memories are short. Follow-ups should be planned in advance and should be personal messages, not form letters.

8. *Seek out unlikely sources.* Trade and technical schools have been increasingly cultivated, but many firms still ignore them; liberal arts students have only recently begun to receive bids to go into technical work. Europe is a happy hunting ground for a still small number of firms. Men coming out of service provide 10 per cent of all technical manpower; college faculties have men who are not set on teaching as their ultimate profession; one firm even hired another firm's recruiters!

9. *Don't depend entirely on your recruiters.* Many students turn down a job because they did not like the recruiter. By creating a favorable company personality this influence can be overcome to a considerable extent. Use college engineering publications for advertising campaigns that are not overt recruiting approaches, but more subtle attempts to create a favorable climate in which your recruiters may work.

10. *Make contact as early as possible.* Many firms offer summer jobs for students as "internship" arrangements. Most progressive companies are even reaching into high schools for future needs.

11. *Include wives and fiancees in the recruiting program.* Few men will take jobs to which the women in their lives strongly object. Get the women on your side as soon as possible, and keep them there. Boeing, IBM and other large companies slant advertising right at wives through women's pages in the newspapers. Many firms entertain husbands and wives together, and one recently held a full day's outing for families of prospects.

12. *Be specific.* In literature, advertising and in answering questions, provide clear definitions of jobs, working conditions, organizations, relationships with superiors, etc. Vagueness creates an impression that you have something to hide.

13. *Make your approach distinctive.* In the mind of a prospect cramming a great many interviews into a few days, reading information about a number of firms, and scanning numerous ads, all messages tend to merge together. The human touch in interviews, an unusual piece of literature, a fresh touch in the advertising—these will make your efforts stand out from the crowd.

■ *Dyne Englen.*
MANAGEMENT METHODS,
November, 1957, p. 36:5.

Is There Really a Labor Shortage?

THE LABOR SHORTAGE which had been widely predicted for the late 1950's and early 1960's may be a statistical mirage. The predictions were based upon two factors: (1) an increasing number of non-producing consumers, due to the post-World War II baby boom and the increasing longevity of retired persons, and (2) a diminishing number of workers because of the low birth rate of the 1930's. The 24-54 year age group, which supplies two thirds of our labor force, now makes up 39 per cent of total population, but will drop to 37.5 per cent in 1960, 35.5 per cent in 1965 and 34 per cent in 1970.

However, although population is following predicted trends, labor supply is not. The proportion of women—particularly those aged 35 and over—obtaining or seeking employment is much greater than had been anticipated. Women now make up 31.5 per cent of the total labor force. Boys and girls aged 14-19, and men aged 20-44, are also entering the labor market at increasing rates.

In mid-1957, the labor force was 70.8 million: 65.3 million persons in civilian employment, 2.8 million in the armed forces, and 2.7 million unemployed. Current trends indicate the total labor force will reach 81 million in 1965 and 96.1 million in 1975.

Although the next decade will probably see labor shortages in specific trades and professions, and in certain geographical areas, the shortages should be less severe than at present.

—Fred D. Lindsey in *Nation's Business* 7/57

"About this half-million you have safely cached away—why not have it work for you while you're finishing your sentence?"

American industry would do well to take another look at this important consumer group . . .

THE NEGRO MARKET: $16 BILLION SALES CHALLENGE

AMERICA'S 17 million Negro citizens today represent $16 billion worth of purchasing power. Those who think they can get their share of this market without making special efforts to invite it may not only be missing a lucrative opportunity, but actually chasing it away.

The $16 billion is take-home income—money ready to be spent on quality merchandise and services. This money will be spent—for while his income has tripled since prewar years, the Negro's savings have dropped from 7 per cent to 4 per cent of his total income. The question is: From whom will Negroes buy?

The physical problem of telling them your story and selling them your product is relatively easy. For they are not evenly scattered over the country in a 1 to 10 ratio. They have become urbanized, and more than 70 per cent of the urban Negroes are in 46 major cities. According to a Chicago publisher of magazines directed specifically toward Negroes, "There are 14 cities where it is impossible for a product to be tops in its field without Negro support." These are New York, Chicago, Philadelphia, Detroit, Washington, Baltimore, Los Angeles, St. Louis, Birmingham, New Orleans, Memphis, Atlanta, Cleveland, and Houston. The Negroes in these and the other 32 key cities represent sizable segments of each city's population, ranging from 10 to 44 per cent.

A vast migratory shift has redistributed the Negro population remarkably since the war. Before that time, fully two-thirds of all American Negroes were southern farmers and farm workers; only one-sixth are today. Half are living in southern cities, and one-third are in northern cities. Since the northern urban Negro earns four to five times what the southern Negro farmer does, he is the elite—the bull's-eye on the sales target.

Even though there is still a tremendous gap between white and Negro incomes—about 81 per cent of Negro families have a net income (after taxes) of less than $4,000 as against 48 per cent of the whites—the Negro has tripled his prewar earnings, and increased them more than 60 per cent in just the past ten years. The median Negro family income is about $3,700 and is rising.

EVIEW

Not only are there more employment opportunities for Negroes, but better and higher-paying ones. Since the war, their white-collar jobs have increased by about 230 per cent, there are about 90 per cent more Negroes in sales, nearly 80 per cent more are craftsmen and foremen, and one-third more are professional, technical, and managerial employees, the Department of Labor reports.

Since earning power is closely related to education, the future looks bright: The Census Bureau reports that although one-third of the Negroes over 65 are illiterate, 96 per cent of those between 14 and 24 can read and write. And despite lack of educational opportunities, Negro enrollment in universities increases yearly.

Also, the Negroes' needs and desires are those of a vigorous, young market. Nearly half are under 25, as compared with 41 per cent of the whites. Although the Negro's life expectancy has increased by 25 per cent since World War I, less than 6 per cent are 65 or older, an age bracket comprising nearly 9 per cent of the whites. The average for all Negroes is 25.1 years, five years less than the average for white Americans.

The Negro's greatest unfulfilled need and desire is housing, caused for the most part by sociological barriers, even in northern communities. It is this very situation that releases frustrated housing funds into other channels. In the rest of the market place the Negro has almost complete freedom of choice, and he exercises that freedom to the utmost.

An *Ebony* magazine study reveals that the average Negro consumer spends more for clothing, food, cosmetics, toiletries, automobiles, and liquor than his white counterpart. "In proportion to population and income, Negroes buy more quality products than any other comparable U.S. group," it said. Where they can afford it, Negroes buy the best clothing, the top automobiles, highest-priced radio and TV sets, and leading prestige-brand food products.

In almost every case, the study disclosed, they name their brand and stick to it as long as it merits patronage. Therefore, three or four manufacturers of each product get the bulk of the business.

The Negro wants to feel that his trade is welcomed by reputable manufacturers and merchants. There are several ways of extending such an invitation. A Starch readership survey points out that ads showing Negro models get three times as much attention and preference as those showing white models.

On the subject of advertising illustrations, Negroes have some decided opinions. For instance, they are weary of always being depicted as servants or happy-go-lucky minstrels. They would like to be shown enjoying family and recreational activities; this demonstrates to them that the advertiser regards the Negro as a dignified member of the community and wants his business. In addition, they want to be invited to buy the best you have to offer. After so many years of being cheated by slick salesmen offering shoddy goods at "bargain" rates, after so many years of being the dumping ground for every inferior commodity, the Negro now prizes his new-found ability to be selective.

Although the Negro is an individual, it should be recognized that a great deal of good will can be gained by working through his church, fraternal, civic and social organizations. Negro life centers to a large degree around them.

Above all: Don't talk down to him. The Negro has had a whole lifetime of recognizing when he is being talked down to—and he doesn't like it.

The Negro today is making more money and has been extended more credit. He is a good prospect, and industry would do well to take him seriously. For this—America's home-grown $16 billion market—is big enough to have a major effect on any company's sales.

■ *Robert S. LaVine.* DUN'S REVIEW AND MODERN INDUSTRY, *October, 1957, p. 54:7.*

Employee Participation in New-Product Development

DEVELOPING MEN and developing new products are part of the same process at S. C. Johnson & Son (Racine, Wis.). The company has been using a "sponsor group" approach to the development of new products which is designed to insure the widest participation among all levels of employees.

Once any new-product idea has passed an initial screening—for markets, initial investment, amount of risk, and potential monetary return—by the New Products Department, it's turned over to a sponsor group for development. The group comprises the man who thought of the idea, the man doing technical work on it in the laboratory, the man who will have to sell the product, representatives of the financial and production departments, and a representative of the New Products Department.

Currently there are about 40 sponsor groups with a total of 160 participants. No group oversees more than one new product; this guarantees maximum concentration and participation. The only decisions a sponsor group can't make on its own about its "baby" are those which involve substantial cash outlays.

The company feels that the "sponsor group" method is an effective development technique in a number of ways:

- Members get a chance to participate in important, complex decisions.
- Potential executive talent is brought to the attention of middle and top management.
- Members get the experience of working on an interdepartmental level, thus helping to break down the barriers between specialists in different fields.

—*Supervisor's Personnel Newsletter* (60 West 55 Street, New York 19, N.Y.) 11/18/57

Have Right-to-Work Laws Hurt Labor?

IN ALL, 18 states now have right-to-work laws that outlaw the closed and union shop and maintenance-of-membership provisions in labor contracts; in addition, Louisiana has a right-to-work law applying to farm labor only. In five of the eighteen states, right-to-work laws have been written into the state constitution.

What has been the effect of these laws? Have they "busted" any unions? Most of them are in southern and midwestern states where there were relatively few union members to begin with (probably no more than 15 per cent of organized labor is in these states). What are the chances of such laws being enacted by the big industrial states?

A nationwide survey of employers and union leaders, recently made by *Fortune,* indicates that right-to-work laws have had singularly little effect on labor relations. If the laws are intended to "bust unions" (as the AFL-CIO contends), they have had scant success; in every one of the right-to-work states, membership appears to be as high as it was before the law was passed—and in a number of cases membership is now higher. In at least one state, ironically enough, a right-to-work law that attracted new industry seems actually to have caused an increase in union membership. Scarcely any union members, whom the laws were intended to "liberate," have in fact resigned. It is, of course, harder to compel new employees to join a union in the right-to-work states than it is elsewhere; yet few of the state laws include any effective enforcement apparatus, so that a worker who feels he is being pressured into joining a union can only resort to expensive injunction proceedings. The worker who doesn't want to join a union seldom gets much comfort from his employer—quite the contrary. Said one union official: "We've found that in the right-to-work states, some of the big nationwide corporations which have the union shop elsewhere will often cooperate with us in getting new employees to join. The plant supervisor just has a little chat with the man when he's hired, and says a few kind words about the union—and the worker usually gets the point."

The role of "big business" in the right-to-work controversy is indeed ambiguous. The NAM and the U.S. Chamber of Commerce fervently support the laws, but very few of the largest corporations have taken a position one way or the other. In steel, auto, rubber, and railroads, big companies have long since given up on the union-shop fight. Lobbying in state legislatures for right-to-work laws is chiefly being pushed by small business and farm organizations—particularly the American Farm Bureau Federation.

How is right-to-work legislation working in the states that have it? Here are some examples:

Arizona outlawed compulsory unionism in a 1946 referendum (by a 59 per cent majority). But there is no effective enforcement machinery. The closed shop continues to operate: many of the union members are in closed-shop craft unions; the contractor who hires a nonunion worker is likely to find most of his men reporting "sick."

Florida voters put a right-to-work amendment in their constitution in 1944 (by a 55 per cent majority). Labor has been talking ever since of repealing the amendment, but has made little headway. Actually, the law doesn't mean much. The assistant to the attorney general was recently ordered to study ways to make the law more effective.

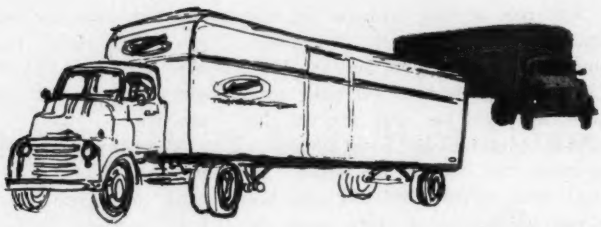
Iowa, whose legislature passed a right-to-work law in 1947, despite a mass march of 50,000 union members on the state capitol, is one of the few states in which an appreciable number of union cards have been turned in. The continuing move of industry into the state, meanwhile, has raised union memberships to a new high of 135,000. The craft unions are still closed shop in practice.

Mississippi passed a right-to-work law in 1954. The law has been used to secure injunctions against building-trades unions that picketed building sites, demanding that only union labor be employed. The law has also strengthened the anti-union sentiments of many workers, and so has made organization harder.

North Carolina's law, passed in 1947, has not prevented union membership from increasing 40 per cent, to about 80,000. Curiously enough, the law itself may be responsible for much of that gain, since it has attracted industry to the state.

Of the 12 states that turned down right-to-work laws in the latest legislative session, only Idaho saw a really close battle over the issue. The bills were beaten easily in all the heavily unionized industrial states where they were offered—California, Connecticut, Illinois, and Ohio. And in such strong union centers as New York, New Jersey, and Michigan, right-to-work legislation has never even been a serious issue. It may well be that the right-to-work tide is now at its crest in the states. What the AFL-CIO fears most is not a steady growth of state laws, but a right-to-work amendment to Taft-Hartley. However, this prospect is not imminent; the Administration has consistently opposed federal right-to-work legislation.

■ FORTUNE,
September, 1957,
p. 235:3.



How Companies Are Cutting Freight Costs

As FREIGHT RATES soar higher, many companies are tackling transportation costs with renewed urgency and greater imagination. In a recent survey of purchasing agents conducted by *Purchasing* magazine, over half the respondents said they had formally organized programs to cut freight costs, and two-thirds reported at least some success in reducing these costs.

Four out of five of the purchasing agents said their management is conscious of the importance of transportation costs and is willing to "spend money to make money." There's little doubt that a traffic department large enough to check each transaction in detail can achieve lower costs. Several respondents report substantial savings from increasing the size of their traffic departments to permit transportation bills to be given a thorough review.

Perhaps the most unusual approach to transportation saving is that used by the purchasing agent for a Cambridge, Mass., instrument company. He has a consultant who checks all shipping invoices and puts in claims for overcharges. The consultant works on his own time and splits any savings he's able to make with the company. "So far," reports the purchasing agent, "both the consultant and the company have made out well."

Successful reduction of transportation costs demands extremely close attention to detail. A good traffic man overlooks nothing. For example, one California purchasing agent reports his company has reduced its transportation bills by as much as 4 per cent by having suppliers stop billing FOB the customer's plant. Instead, suppliers show the price FOB their plant and list the shipping cost separately. With this method, the 4 per cent California sales tax is applied only to the cost of the material itself. This, in effect, reduces the cost of the freight by 4 per cent.

At a New Jersey electronics firm, a design change helped cut freight costs. The company had been buying a reel 10½" in diameter from a New England supplier. The freight rate was $2.36 cwt. for shipments classi-

fied as "reels." By reducing the diameter of the reel to 10", it was possible to get a rate of only $1.10 cwt. Reason: the "reel" was now a "spool" as far as freight rates were concerned.

One purchasing agent reports cutting costs by "more than $100,000 per year" with a "do-it yourself" approach to transportation. The company makes deliveries to customers in its own trucks. By careful selection of suppliers, it's able to keep the trucks 60 to 70 per cent full of purchased parts and materials on the return trips to the plant.

Only 42 per cent of the respondents say they have received suggestions on reducing transportation costs from the common carriers. Vendors have been even less helpful than carriers on reducing shipping costs, the survey shows: Nearly two-thirds of the respondents report no help from vendors. This indicates that most companies should intensify their efforts to reduce costs of outgoing shipments. The effort is worthwhile even if all the benefits are passed on to the customer. The best way to make your company more competitive is through cost reduction, not profit reduction.

Vendors, of course, can have a negative effect on transportation-cost reduction. Late shipments often require more expensive methods of transportation, and more and more purchasing agents are keeping score on such extra costs. "We keep track of every dollar we pay out for air freight and air express," says the director of purchases for a big TV set maker. "When a supplier comes in for a price increase, we show him the 'increase' we've already given him in the form of premium cost shipments. Sometimes vendors don't realize how costly their failures to meet schedule can be."

Although many progressive managements recognize the importance of traffic and are willing to staff their departments with enough high-calibre people to do a first-rate job, others still think traffic is something that pretty much takes care of itself. Fortunately, this attitude is becoming less prevalent. But there is still considerable difference of opinion on traffic's organizational status.

A good case can be made for a close organizational relationship with purchasing. Often, for example, traffic considerations should influence vendor selection. If company-owned trucks make deliveries in a certain area, purchasing should try to get vendors in that area so that the trucks need not return to the plant empty. And then there is the problem of damage claims. Often it must be decided whether a shipment was damaged because of poor packing by the vendor or rough handling by the carrier. Such problems require close teamwork between purchasing and traffic.

Perhaps the best approach developed so far is to have a materials manager responsible for all activities concerned with materials—purchasing, inventory control, materials control, traffic, materials handling, etc. With this organizational approach, related functions can work together on common problems and still preserve sufficient independence to tackle their specialties efficiently.

■ PURCHASING,
November, 1957, p. 81:2.

A Helping Hand for Integration Problems

MANY COMPANIES that want to do something about discrimination in employment must cope with complex problems in human relations when they embark on a program of integration in their plants and offices. To aid such companies, the Labor-Management Commission of the National Conference of Christians and Jews has a number of practical, down-to-earth programs that can be used to ease employee tensions and to work out integration problems. Here are some of the services the Commission offers free of charge:

1. *Teamwork-in-Industry Program.* This consists of a series of in-plant or off-plant seminars which bring together executives, plant union officials, and workers for round-table discussions of such topics as: why people have prejudices, how to handle the prejudices of ourselves and others, and how to work together with people of different races, religions and national backgrounds. The discussions are led by executives, psychologists, educators, labor leaders, and clergymen. Guest speakers for single talks at employee or supervisory conference sessions can be provided for companies that do not wish the full ten-session series.

2. *Film Forums.* The Commission has produced a prize-winning, half-hour, 16 mm color documentary called *Chuck Hansen—One Guy,* which can be shown at company meetings with or without a speaker. Shot at a General Cable Co. plant, the movie demonstrates the loss in morale and waste in production caused by prejudice and intergroup tensions.

3. *Literature.* Kits of material on Brotherhood Week—the week of Washington's birthday—and for editorial use throughout the year are available on request. Also available is a bimonthly newsletter, *Highlighting Human Relations in Business and Industry,* which is currently received by over 17,000 key management personnel in many companies throughout the country. Several booklets are available to circulate among management personnel.

4. *Other Services.* The Commission also answers requests for information on any phase of intergroup relations in industry; provides consultants' help in setting up equal opportunity policies or programs; sets up fact-finding surveys to assess training needs; has a steadily expanding library service; and cooperates with universities in conducting workshops and seminars for employee and management personnel.

Employers interested in any of these services may contact Dr. Leonard P. Aries, 43 West 57 Street, New York 19, N. Y.

—*Employee Relations Bulletin* (National Foremen's Institute, New London, Conn.) 11/13/57

IF YOU WILL THINK about what you ought to do for other people, your character will take care of itself.

—Woodrow Wilson

An unusual approach that gives graduates of last year's training courses an important role in planning and running this year's program . . .

Training by the Trained

A NOVEL APPROACH to training junior scientists at a Navy research and development laboratory may have some useful applications to executive development programs in all types of business.

The training program for junior scientists and engineers at the Pasadena Annex of the Naval Ordnance Test Station has as its short-term aims the rapid assimilation of the trainees' skills into the organization, thorough familiarization with the laboratory's problems and facilities, and preparation for an early assumption of responsibility. The long-term aim is to prepare the trainee to be a competent technical specialist while at the same time retaining his adaptability and flexibility so that he may eventually assume a "systems" or comprehensive project responsibility.

The trainees are rotated to three or four different job assignments which they choose themselves. During the year, approximately four hours a week are devoted to technical lectures, discussions, trips, and other formal training methods.

What makes this program different is that selected graduates from the previous year's training program assume a leading role in training the new group. They welcome the new trainees to the laboratory, orient them to their places in the organization, and help them with their immediate problems during the first few months.

In addition, the graduates contribute their ideas and influence in planning the detailed training program for the new group. They aid in selecting topics, lectures, and discussion material which they found to be especially helpful in their own training. Finally, these graduates take a leading part in conducting the weekly Junior Professional meetings.

The major contribution of this approach is the increased speed with which the trainees learn. The process is analogous to the way that a younger child learns more quickly than the first-born, since he can observe a child only a year or so older and can easily identify with him.

The process by which program leaders are selected is another interesting feature of the training set-up. There are three trained people leading the program at all times. They are gradually replaced during the year by new leaders elected from the trainee group. One leader is elected

during the first two months, another towards the end, and the third at the completion of the year's training. Thus, new leaders are ready to take over when a new class of Junior Professionals appears on the scene.

Typically, the leaders are those who have demonstrated ability to make a good adjustment, who are able to verbalize and interpret information, and who can analyze situations and initiate any action that is required. The leaders emerge from a democratic group; therefore, they are not so aggressive or authoritarian as those from nondemocratic groups might be. Ample opportunity is given to individuals to discuss minority opinions.

The program set up by the graduates for the following year is reviewed by the Employee Development Committee of the laboratory (a management policy-forming group). So far, the Committee has found the programs recommended by the graduates to be highly adequate.

Members of the trained group participate in the weekly training sessions, frequently leading the discussion or introducing technical speakers. Thus, the program graduates take over many of the duties ordinarily handled by personnel people.

How is the program doing? From the trainee's point of view, the answer seems to be: very well. A small sample of trainee reactions shows that over four-fifths feel they are getting an above-average indoctrination and introduction to the laboratory, and three-fourths believe that the program is making an excellent contribution toward their professional development. Even more encouraging are the unsolicited remarks appended to many of the questionnaires, which indicate that the program has infused the trainees with a high degree of motivation.

■ *Jack W. Hoyt.*
PERSONNEL JOURNAL,
September, 1957,
p. 126:4.

More Work for Bill Collectors

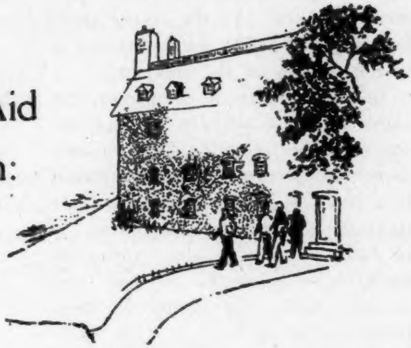
LENDERS are finding it harder to collect money due them and bills aren't being paid quite as fast as usual, according to recent reports by the American Bankers Association and the American Collectors Association.

Credit losses are beginning to become noticeable along a broad front, says the bankers' group, noting, for example, that more cars are being repossessed. The group called on bankers to become more selective in granting installment credit.

Collection agencies are getting a bit more business, according to the collectors' organization, but it points out that collections have become harder to make in specific regions of the country, rather than all over the nation. Areas where government defense orders have been canceled or military posts closed are among those hardest hit. Some farming areas and the Pacific Northwest, victim of lower lumber demand, are also affected.

—*The Wall Street Journal* 12/4/57

How Companies Aid Employee Education: A Survey



Most companies these days are helping their employees get a better education. These employers feel that through tuition aid they are developing more valuable, promotable employees and at the same time improving employee morale. Donating scholarships is another method of educational aid used by a substantial number of companies.

These are some of the highlights of a survey of 137 companies of all sizes completed recently by the Bureau of National Affairs, Inc. The survey found that two-thirds of the larger companies and nearly three-fifths of the smaller firms have tuition-aid plans.

Almost all of the larger companies and two-thirds of the smaller ones include colleges and universities in their plans, about half of the companies of all sizes include trade schools, and about one-third of all sizes include professional groups. In addition, 72 per cent of the larger and 48 per cent of the smaller companies grant tuition aid for correspondence courses.

A small minority of companies with plans (24 per cent of the larger and 9 per cent of the smaller) allow courses to be taken on company time. In 70 per cent of the larger companies and all of the smaller ones, courses must be related to an employee's present or future job in order to come under the tuition-aid plan.

In the majority of the companies with plans (70 per cent of the larger and 57 of the smaller) all employees are eligible for tuition aid. Among the remaining companies, the employee groups that are most frequently ineligible for tuition aid are plant employees in larger firms and sales employees in smaller ones. Three-fifths of larger firms and four-fifths of smaller ones have no length-of-service requirements for eligibility under tuition-aid programs. Some of the requirements specified by most companies are: (1) the employee must have the necessary background for the course; (2) the school must be on an approved list of educational agencies; (3) the employee must not be receiving other aid for the same

courses; (4) the employee must continue to give satisfactory work performance; and (5) the course must be completed while the individual is in the employ of the company.

In the majority of companies, the employee must initially lay out the cost of tuition himself. The company then reimburses him—to the extent that its plan allows—when he has successfully completed the course. If he fails to get a passing grade, the employee must stand the full cost himself under the terms of most tuition-aid plans.

When courses are taken at a company's request, the company always pays the full tuition cost. However, when courses are taken by the employee on his own initiative, most companies pay anywhere from 50 to 100 per cent of the cost. The full cost is paid by a fourth of larger and more than half of smaller firms, while half the cost is paid by over a third of larger and a fourth of smaller firms. Roughly a tenth of larger companies make tuition payments on a sliding-scale basis according to the grade received; for example, some firms pay 100 per cent of the cost for an "A", 75 per cent for a "B", 50 per cent for a "C", and nothing for less than a "C".

Tuition-aid plans are administered by the personnel industrial relations department in about 75 per cent of larger companies and 80 per cent of smaller firms. In the remaining larger companies with plans, administration is handled by P-IR and a department head or controller, a training department, or one or more line executives. The remaining smaller companies turn their tuition-aid plans over to a vice president, assistant to the president, or plant manager.

Interestingly, there is greater participation in tuition-aid programs in larger companies than there is in smaller ones. Estimates of participation in larger companies range up to 10 per cent of the workforce, but estimates for smaller companies go only as high as 5 per cent. The average level of participation for larger firms is 3 per cent, as against 1 to 2 per cent for smaller firms.

The average amount per participant paid each year varies widely, from a low of $14 to a high of $200. The average expenditure is $75 for both larger and smaller companies. Half of the companies with plans set no top limit on the amount of tuition aid payable to an employee during a single year. Among the companies that do set a limit, ceilings range from as low as $50 to as high as $1,000. The average top limit is $150 in larger companies and $82.50 in smaller firms.

Scholarships are awarded regularly by a third of larger companies and a seventh of smaller firms participating in the survey. The majority of these companies award from one to ten scholarships annually; the average is one scholarship in smaller firms and between four and five in larger companies.

About 40 per cent of companies that award scholarships restrict them to employees and/or their children. The scholarships carry annual stipends ranging from $100 to $2,000; the majority range from $300 to $1,000, with the greatest concentration at $500.

Do Interest Rates Affect Business Borrowing?

A new study indicates that the long-term outlook and the personal attitudes of executives toward debt are the most important considerations in borrowing decisions . . .

In defiance of classic theory, changes in interest rates may have little effect on business borrowing and investment.

This is one of the conclusions reached by the Survey Research Center of the University of Michigan when it applied to a study of business borrowing some of the techniques used in its well-known consumer surveys.

Interviews lasting two to four hours were conducted with top executives of representative medium-size and large business firms. Financial decisions and practices were discussed in the interviews, and data were obtained on the frequency of certain borrowing practices as well as on motives, opinions and expectations.

In analyzing the impact of moderate increases in interest rates on large business firms, the new study casts doubt on the general validity of the classic economic proposition that "the higher the interest rate, the smaller the volume of business borrowing." The study revealed that many business executives have deep-seated convictions about borrowing from banks which appear to govern their practices and which are rarely affected by changes in interest rates.

Four types of borrowing attitudes were found to be common today among U.S. businessmen. The first of these is closely related to the fact that many companies have a firm policy against borrowing from banks. Approximately one fourth of medium-size and large firms have not borrowed from banks since World War II. Many of these firms have what they call ample liquid funds and their executives say that they need no external funds.

In some cases, however, abhorrence of debt is the underlying reason for the policy of not borrowing. Often the predecessors of the company's present owner or president established a tradition which can be expressed as "Debt means worry" or "Debt means dependence."

Another substantial proportion of business executives holds that bank credit, being short-term credit, can and should be used exclusively for short-term, self-liquidating purposes.

Seasonal credit, especially to build up or carry inventories, is accepted as a natural and justified use of external funds. Similarly, bank credit may serve to finance sales or credit to customers, for instance through discounting receivables.

A third basic attitude is that borrowing from banks should be resorted to only in anticipation of accrual of internal funds from depreciation reserves and undistributed profits, and should enable the corporation to make expenditures ahead of that accrual of funds (or ahead of long-term financing).

This attitude often justifies the use of short-term bank credit for long-term purposes. Distinctions between short- and long-term funds and between short- and long-term uses of funds disappear. Purchasing machinery, constructing plants, acquiring other firms, in fact all investment, may be financed out of short-term bank credit. The survey indicates that one fourth to one third of all business firms have used short-term bank credit to finance capital expenditures in the past few years.

Bank credit is usually used for investment purposes by executives who believe that "Business consists of using other people's money." According to this fourth type of underlying attitude, it is not the debtor who is dependent on the creditor; on the contrary, it is the lender who acquires a stake in the business of the debtor. Bank credit is short-term only in form; it is felt to be renewable at the will of the debtor.

It is further believed by these businessmen that being in debt with a bank or a banking group makes it easier to borrow additional funds. Even having large liquid funds should not stop businessmen from borrowing from banks, according to this attitude. Through borrowing one establishes credit. One should borrow, not when a new project creates a need for funds, but much in advance of such a contingency. Having an assured line of credit makes it possible to act without interference by bankers and without considering changes in the money market.

Small changes in the interest rates are unlikely to alter any of these philosophies quickly.

The survey also raises doubts about the notion that businessmen needing or desiring to borrow commonly shop around for favorable rates. Today most business firms have one or several primary banking connections which remain stable over many years. The Survey Research Center study showed that hardly more than one fourth of large and medium-size companies have made any changes in their primary banking connections since World War II. Furthermore, most of the changes made consisted of adding new primary banks (often in connection with mergers or expansion) rather than replacing old primary banks.

Overwhelmingly, then, banking connections are long-term, stable relations rather than arrangements made in connection with a single transaction. Similarly, many investment decisions are not the result of narrow profit and loss calculations which would be affected by fluctuations in interest rates. Frequently, business executives feel that they have no choice in many of their capital

expenditures; they are compelled to undertake them. The feeling of compulsion comes from sales trends (even if one operates at capacity, demand by old customers cannot be left to competitors) and from competitors' actions (technological innovations made by competitors must be adopted).

Therefore, decisions to invest are often independent of decisions about financing the planned expenditure. What must be spent on new construction and machinery will be spent even if money costs more than in the past.

Moreover, capital expenditures frequently represent policy decisions made several years in advance. Many of these decisions are carried out even if new developments—say, changes in interest rates or in sales—make them less advantageous.

■ *George Katona.*
NATION'S BUSINESS,
December, 1957, p. 32:5.

New Peak for U.S. Exports

U. S. EXPORTS continued to shoot up in the first half of 1957, exceeding foreign sales in the corresponding period of 1956, at an annual rate, by \$3.7 billion. Non-military exports, at an annual rate, amounted to \$20.5 billion, compared with \$12.9 billion for imports.

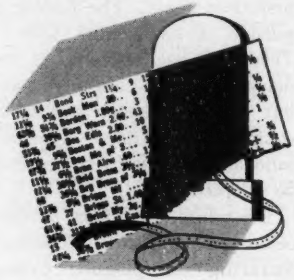
The increase in exports was financed extensively through reduction of dollar reserve accumulation. Total gold and dollar reserves of the rest of the world were significantly depleted through transactions with the U.S. from January to June, in contrast with the substantial accumulation of gold and dollar assets—at the rate of \$2.1 billion annually—in the corresponding period of 1956. Moreover, some of the sharpest export gains during 1957 were in shipments to countries whose reserves have been rapidly depleted in recent months.

The continued strong expansion of U.S. exports to Western Europe was again the most important factor in the export advance in the first half of 1957. Commercial shipments to this area jumped to an annual rate of \$6.5 billion, up 32 per cent from a year earlier.

By far the strongest gain in regional world markets was that recorded for the Far East. Continuing the accelerated uptrend of 1956, shipments to that area rose more than 50 per cent over the level of January-June, 1956, to an annual rate exceeding \$3.5 billion. Most of the rise came from the doubling of shipments to Japan, India, and Korea. The rise particularly reflected the sharply increased demand for industrial materials and investment goods, although foodstuffs shipments also doubled.

—*Foreign Commerce Weekly* 10/7/57

Selling Investors on Your Company



U.S. INDUSTRY is faced with a unique marketing job. It needs to raise $60 billion in equity funds by 1965 in order to finance the marketing growth of the country, and most of this money, according to Stock Exchange president Keith Funston, must come from common stock ownership.

How do you sell investors on risking their dollars in your enterprise? One way is through advertising to the stockholders you already have. Most of the new money will come from them. In addition, your company will undoubtedly have to seek dollars from new investors at a time when competition for this money is especially keen. Your success will be determined by how well investors know your company. One indication of how well they know you now is whether the number of stockholders is growing.

A growing stockholder list means a broader base of ownership of the company, more prospective customers and salesmen for the company's products, acceptance of the company's fundamental principles, and geometrically increasing demand for your company's stock (with consequent price appreciation for the benefit of previous buyers).

How do you find out what stockholders *really* think of you? The rate of proxy returns for the annual meeting is hardly an adequate barometer. Letters from stockholders don't mean much. What is needed is the same type of exploration among the nation's 10 million stockholders as is used to determine why they buy one brand of soap in preference to another.

Don't neglect the Wall Street analysts and counsellors. They influence as much as 75 per cent of all stock purchases and sales. It is their word that usually determines whether a company's stock is a "dog" or a "blue chip."

Annual meetings give you a chance each year to meet your company's owners face-to-face. You can create impressions, answer questions, take a sounding of sentiment toward the existing corporate image—and do a selling job on the company's products. Such meetings are more interesting when they include motion pictures, exhibits, souvenirs and free lunches.

Your company's annual report is your principal point of contact each year with *all* your stockholders and with the financial community. Today's annual reports represent a

tremendous outlay of pre-tax corporation dollars; but there are still important questions regarding their effectiveness as information vehicles. Would the same amounts be spent on a product-advertising campaign with as little pretesting or market study?

More thought should be given also to the contents of the envelopes in which dividend checks are delivered. Some companies include a reprint of a recent advertisement. Others are turning to news bulletins, leaflets and informative booklets about the company in addition to the necessary financial information.

Did you ever attempt to determine how many stockholders in your company remember to specify or seek your company's products? Or the extent to which they go, or are willing to go, in promoting your company's products? Have you looked into the possibility that a stockholder discount on your products might help you get distribution? Some companies already are taking steps to promote new business actively among their stockholders. Oil companies send credit card applications with dividend checks. Others send samples of their products to new stockholders. Still others enclose sales promotion pieces with dividend checks and other interim mailings.

How about appearances of your company executives and officials before investor groups in your locality? In addition to the more than 20 security analyst societies in as many cities, there are local groups of customers' men, groups of clients called together at varying intervals by brokerage houses and investment counsellors, college and high school classes in economics and finance, and the fast-growing investment clubs. All are receptive to appearances of corporate officers.

What kind of a welcome does a newcomer to your company's stockholder family get? Surprisingly, many firms fail to acknowledge the confidence an investor places in them.

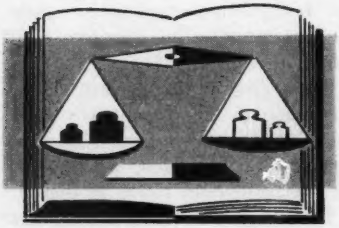
Few companies take the trouble to determine *what* information new stockholders would like to get. How important to the stockholders is it, for instance, to include the record dates for dividends and dates of dividend payments? And how these dates are arrived at? And when and where the annual meeting is held?

Many opportunities are missed, too, in using the welcome letter to make a sales pitch on the company's products. Possibly this lack arises from a feeling that investors in a company dislike being high-pressured into becoming customers or salesmen for the company's products. Such high pressure can be avoided by the application of soft-sell techniques.

Handling letters from stockholders is often another weak spot in the stockholder marketing program. When no one is assigned to take a direct interest in such letters, many are answered casually or even evasively. Worse yet, some are ignored.

When a stockholder takes the trouble to write—even a letter that is complaining, petulant, or simply naive—marketing opportunity has been opened up. The reply merits all the skill, thought, and creative effort that can be put into it.

■ PRINTERS' INK,
October 11, 1957, p. 84:2.



Private Peacemaking in Business Wars

MORE AND MORE COMPANIES are settling disputes through commercial arbitration, because it's cheaper and faster than the courts.

The theory is that a capable businessman, using old-fashioned horse sense, can hammer out a settlement as equitably as a more formal court, at least in run-of-the-mill litigation. And, in the process, the companies will save time and money and avoid publicity. There's only one rub—once an arbitration award is made, a businessman has no recourse to the courts; an award is binding, and appeals are usually rejected.

Until recently, arbitration was used mainly by only two kinds of industries: those, such as textiles, needing immediate decisions so that seasonal operations are not interrupted, and those, such as construction and shipping, in which unforeseen events often interfere with performance of contracts.

Now, however, commercial arbitration is becoming increasingly necessary for many other types of companies. Contracts are growing in number and complexity, and court calendars are usually jammed to capacity. Scores of concerns are turning to arbitration to settle miscellaneous contract violations and other business disagreements—over patents, sales and purchases, customs of the trade, and pricing.

The American Arbitration Assn.—a non-profit organization recognized as the prime authority on the subject—handled 645 commercial disputes (including 27 international cases) in 1956, an increase of 99 cases over 1955. And last year, the figures ran about 15 per cent ahead of 1956. Over-all, commercial arbitration cases now total an estimated 2,000 annually, plus many informal proceedings not tallied.

Many big companies, of course, have no intention of resorting to arbitration. They prefer to settle minor scuffles behind locked management doors (with plenty of good cigars within reach), where they can put economic pressures to work in the dickering. And some other companies wouldn't dream of not going to court with every business difference. As a matter of fact, it would be foolish not to take some arguments into the courtroom, where an appeal

to higher authority is possible. But in many other cases, an impartial third party can settle a snafu readily.

Arbitration's advantages over the courtroom are three—speed, privacy, and economy. Sessions are private, informal, and elastic, without the often irksome legal delays of a court, or the publicity of a trial.

"A company can save four-fifths of its time and two-thirds of its cost by choosing arbitration instead of a law suit," one textile industry attorney claims.

Besides, a businessman in a company's own field can more accurately evaluate the merits of a case than can a judge who might know little of the technical points involved. "Each industry has its own complexities," says one construction engineer, "and it would take weeks to explain a whole industry. You'd be forever drawing up diagrams to show the judge."

Moreover, a company can pinpoint the exact areas of conflict it wants settled in arbitration. While a judge might rule some of them invalid, or decide the case on narrower ground, arbitrators must find an answer in each one of the disputed areas.

Arbitration often results in less ill will. When an award is made, the two parties can frequently go ahead with their business association as usual, without any feelings of resentment. "A court's decision is usually one-sided; you win or you lose," says the construction engineer. "But there's usually something to be said for both sides, and in arbitration you get that necessary give-and-take; you don't usually get bumped too hard."

Arbitration can be either voluntary or compulsory. If a contract includes an arbitration clause, it's obligatory, unless both parties agree to settle elsewhere. Voluntary agreements are just as binding.

Most contract clauses call for arbitration to be handled by a trade association or by the American Arbitration Assn. The latter maintains a 13,000-man master panel of arbitrators, composed of attorneys, accountants, and businessmen, both active and retired. In commercial cases, the panelists serve without a fee.

A number of businessmen refuse to sit on AAA boards, some because they're too busy, others—such as architects, appraisers, and testing company executives—because they don't want to give away their expert knowledge free. However, these experts will often act as independent arbitrators, charging whatever they think the market will bear. This kind of arbitration has both good and bad points. The arbitrator may pay no attention to established rules, or he may be dictatorial. One testing company executive admits: "I make my own rules, decide how much time should be spent on a case, and rule out all experts." On the other hand, it's possible to hire independent arbitrators who rank among the top experts.

If the AAA is brought into the picture, it sends the disputing parties a 21-man list selected from its master panel. Companies delete any names considered undesirable and then grade the remainder numerically. By a point system, the AAA picks out the men—usually three in a commercial case—most acceptable to both sides.

In the hearings, just as in court, attorneys can present cases, and wit-

nesses can be called. If the arbitrators think it's necessary, they can skip a conference to look first-hand at the objects in dispute—say a construction site or some broom fibers in a warehouse. Any evidence of value—including hearsay—may be presented, even if a law court would bar it.

Within 30 days of the final hearing, the panel makes its award. The average time between the first call for arbitration and the award is 70 days—versus two to three years for most court decisions.

Final arbitration decisions are as binding as any finding by a court. To upset an award, it's necessary to prove the arbitrators guilty of fraud, bias, or exceeding their authority (such as awarding interest instead of just principal, for example). So far, only 6 per cent of AAA panel awards have been challenged—and only 1 per cent of the challenges have been sustained.

■ BUSINESS WEEK,
August 3, 1957,
p. 129:6.

How Pension and Insurance Plans Are Growing

THE SENSATIONAL GROWTH of social insurance and pension plans in the past few years is sharply revealed by a recent analysis of 400 representative union contracts made by the Bureau of National Affairs. One or more social insurance benefits are provided in 82 per cent of these contracts, an increase of 12 per cent in the past two years. The gain of pension plans is even more remarkable: they have registered a 30 per cent increase over two years, and are now found in 60 per cent of the contracts analyzed.

The increase in the frequency of negotiated pension plans has been accompanied by substantial hikes in benefit levels. In the steel industry, for example, benefits amount to $173.50 a month—including social security—for an employee with average annual earnings of $6,000 a year and 30 years of service. Vesting provisions now are found in 19 per cent of pension plans—almost four times the frequency in 1955. Of those pension agreements that take up the question of financing, just over four-fifths require the employer to pay the entire bill. Under the remainder, costs are shared to varying degrees by employers and employees.

Hospitalization is the most common type of social insurance, appearing in 63 per cent of union contracts, a gain of 20 per cent over 1955. Life insurance provisions are almost as widespread, showing up in 60 per cent of agreements for a similar increase of 20 per cent. The value of policies is higher too; most are now at or above the $3,000 level. Roughly two-fifths of life insurance plans provide for continuation of insurance after retirement, almost always in a reduced amount and financed entirely by the employer.

—*Labor Policy and Practice* (The Bureau of National Affairs, Inc., Washington 7, D.C.) 10/24/57

A corporate insurance buyer gives his views on what's wrong with insurance policies and practices . . .

What Risk Managers Want from Insurance Companies

ALTHOUGH MANAGEMENT is unanimous in believing that corporate insurance is a necessary and constructive force in our economy, many businessmen have some strong doubts about a number of insurance company policies and practices.

A substantial number of risk managers feel that the insurance industry is too reluctant to deviate from its time-honored practices and customs. For example, the accusation is frequently made that the industry broadens old coverages and develops new coverages only for the mass market. This single policy approach is not the solution to the problems of the corporate insurance buyer. The informed risk manager knows that no set of "standard" policy forms can fit the needs of his company thoroughly and economically.

Considerable attention has been focused on multiple peril policies, umbrella coverage, immediate participation, guaranteed contracts, and similar "motivation-tested" phrases. As a result of the general use and unquestioning acceptance of such comforting phrases, some buyers may have been lured into a feeling of false security. Perhaps some risk managers have forgotten the painful lessons they learned in connection with inland marine policies—that "all risk" really means "all risk—except."

In purchasing certain multiple peril policies, risk managers may well be doing their companies a disservice, particularly if the premium includes a loading for perils to which the company is not exposed or perils which can be included only at a "dollar trading" disadvantage to the buyer.

The modern risk manager, with the assistance of his own casualty actuary, underwriter, and fire engineer, can isolate and analyze his company's risks, establish insurable values and determine the type and amount of coverage required. He is also equipped to determine what this coverage should cost and the comparative costs of full coverage insurance, deductible or excess of loss protection, or full assumption of risk by the corporation.

When he has completed his studies he approaches the insurance industry with specific coverage in mind. It is discouraging to be told that he should buy one of the policy forms the insurance industry has in its well-worn pigeonholes, with minor amendments allowed by the existing

manuals of typewritten or printed endorsement forms.

In the field of employee group benefits plans, many insurance buyers are disturbed by the ultraconservative attitude of the insurance companies with respect to rate structures and the payment of dividends. These buyers wonder why each announcement of a mortality gain is used as the basis for a rate increase.

There is also dissatisfaction with the dividend deferment policy of many insurance companies. The carriers seem determined to be more than adequately bulwarked against any conceivable decrease in investment return, mortality improvement, and increase in administrative expense by the establishment of rapidly mounting reserves and very pessimistic reserve goals.

There is equal concern about some of the rating procedures used by many casualty, fire, and inland marine underwriters. Of course, Public Law 15 imposes certain responsibilities on the insurance industry. But the law was intended to encourage constructive competition, not restrict it. Too often the insurance industry seems to be using the "nondiscriminatory" portion of this law and subsequent state legislation to avoid improvements in coverage or rating procedures—improvements which the informed buyer knows are essential to the proper solution of his company's problems.

Some businessmen complain that insurance companies' claim practices are leading to higher premium costs. The criticism centers around the fact that—either to "get the open items off the books" or because they fear the results of current jury attitudes—insurance companies are being increasingly generous in their settlements.

On the other hand, a number of risk managers complain that some insurance companies are alienating the insured's customers with a *tight* claim policy.

Another complaint by corporate buyers is that underwriters do not attempt to consider each risk on its individual merits, but are inclined to assign risks to arbitrary classifications. This means that the acceptance or declination of a particular risk depends not on the facts of the individual risk but upon how well it fits an existing class, as well as the underwriter's opinion of that class.

Finally, there is the complaint that deductibles and excess of loss contracts have advantages only for the insurance company. Many corporate insurance buyers protest that deductibles are only available where the full coverage would be so high that a sizable portion of the consumer market would be eliminated.

There is no doubt that a private insurance industry which is truly risk-bearing, imaginative, competitive and profitable is essential to our economy. When the insurance industry properly interprets and satisfactorily meets the requirements of the business community, it discharges its function properly, and both the business community and the insurance company prosper.

■ *From an address by C. Henry Austin before the International Insurance Conference, Wharton School of Finance and Commerce, Philadelphia.*

RED INK in the Social Security System

THE 75 MILLION AMERICANS who are depending on Social Security to help protect their future face a new and surprising fact. After running big surpluses for most of its 20 years, the Social Security system is running in the red. In the fiscal year ended last July, payroll taxes fell short by $125 million of covering the benefits paid out to 10 million retired workers or dependents. The $600 million that the U.S. Treasury paid as interest on the $23 billion Social Security trust fund invested in federal bonds more than covered the deficit. But this fiscal year the deficit will eat up all the interest payment, and next year there will be a gap of around $1 billion between Social Security tax receipts and payments.

Social Security officials have always expected that the system might some day be temporarily strapped for cash. But they did not expect it to happen so soon or in such prosperous times. What went wrong?

The answer seems to be that Congress was too quick to (1) expand the system to cover more workers and (2) boost the benefits without waiting to get the bill for past increases. For example, in 1954 Congress voted to let self-employed farmers retire at 65 if they paid Social Security taxes for only two years. Thus, for $252 a farmer could buy a pension of $108.50 a month for life (if single) or $162.50 a month (if married). Thousands of agile farmers came out of retirement to farm for two years in order to become eligible for benefits, then retired again. The result: some 375,000 farmers signed up for benefits, instead of the 150,000 expected —an actuarial error of 150 per cent. In addition, under a recent revision of the law, working women or wives of pensioners can start drawing reduced payments at 62. Some 790,000 are now expected to elect early payments, 50,000 more than anticipated. Meanwhile, to keep pace with inflation, the top amount a family with several dependents can receive has been raised from $168.75 to $200 per month.

While underestimating outgo by a wide margin, Social Security actuaries have also overestimated collections. In the past fiscal year the experts predicted that collections would be $7.3 billion, payments $6.8 billion.

Instead, collections were only $7 billion, while payments exceeded that. For the current year officials had estimated collections of $7.3 billion. This has already been scaled down to $7.1 billion. Next year they had hoped for $7.5 billion, but even with the increase in the total working population, it now appears that they will get only $7.2 billion.

Despite the red ink, nobody believes that the Social Security system is going broke, since ultimately it is backed by the credit of the U.S. and the taxing power of Congress. But too much has been attempted too fast. Politicos of both parties have long been locked in a headlong competition to win votes by spreading Social Security coverage.

By 1960 Social Security deficits are expected to be eliminated when the present Social Security tax of 4½ per cent (combined employer and employee shares) on the first $4,200 of annual income is boosted to 5½ per cent, with further 1 per cent tax-rate jumps scheduled for 1965, 1970 and 1975. But Social Security experts admit that even then there may not be enough income to offset benefit payments, necessitating further tax increases.

The Social Security administrator is required by law to appoint a citizens' committee to investigate the soundness of the system and report back before the 1960 tax-rate increase. But that may be too late to give the whole system the close scrutiny it deserves if it is to protect the millions who are putting their billions into it. The trouble is that a hopperful of bills are pending in Congress which, if passed, would throw Social Security even deeper into the red: e.g., Rhode Island's Democratic Representative Aime Forand and New York's conservative Republican Katharine St. George are pushing a sweeping proposal to make it unnecessary for people over 65 to retire in order to qualify for a pension. Added cost: $2 billion a year.

Social Security officials still talk of ultimately having a huge trust fund, as much as $100 billion, which would pay a major share of the costs of pensions out of investment income, thus softening the tax burden on the currently employed. But it is doubtful if the trust fund will get much larger than it is now unless Congress stops increasing benefits and adding beneficiaries without providing for enough increased revenue. Even with the increases now scheduled, the Social Security system likely will be brought back to only a pay-as-you-go basis.

■ TIME,
August 26, 1957,
p. 72:1.

WE ARE MAKING A STUPENDOUS EFFORT to extend the physical and economic life of the many. But of what consequence is that extension unless the activity of the mind is also extended, unless we strive to live better, rather than simply to make a better living?

—Dr. John H. Finley

All Work and No Play . . .

ORGANIZED EMPLOYEE ACTIVITIES PROGRAMS are firmly established in industry, judging from a survey recently conducted by *Mill & Factory* magazine. Of the 287 respondents, 68 per cent sponsor some kind of off-duty activities for their employees.

Sports, by far the most common type of activity, are included in all the programs reported, and dances are sponsored by more than a quarter of the companies with programs. In addition, facilities for hobby development are provided by 14 per cent of the companies, movies by 12 per cent, and libraries by 11 per cent. Seventeen per cent of the companies have outings or picnics, and 6 per cent have Christmas parties for their employees.

The expense of these activities is borne by the company in more than half of the cases reported, and another 36 per cent pay a portion of the costs. More than 20 per cent of the companies provide the facilities (buildings, ball fields, etc.) for their programs.

The survey indicates that employee activity programs appeal more to men than to women employees; in 46 per cent of the firms with programs, more than a quarter of the men take advantage of the recreation facilities that are available. In contrast, only 29 per cent of the companies report that more than a quarter of their female workers participate.

It's clear, however, that most of the companies are pleased with the results of their off-duty activities programs; more than half report that labor turnover has been cut, and 22 per cent find their absentee rates dropping. Other benefits cited by respondents include better morale (34 per cent), easier recruiting (32 per cent), and increased productivity (17 per cent). And only 9 per cent of the respondents feel that their programs have had no discernible effect.

Let Your Market Test Be Your Guide

THE IMPORTANCE of conducting market research before launching a new product is strikingly pointed up by a recent survey of 210 companies made by the American Marketing Association. Of the 850 new products these companies brought out between 1953 and 1955 with prior market research, 772—or 91 per cent—were commercially successful. But of the 875 new products they brought out during that period *without* prior research, only 65.5 per cent were successful. These figures indicate that 223 new-product failures—with an estimated loss of $17 million—could have been avoided by market research. And the point is further emphasized by the fact that these companies rejected 1,176 possible new products on the basis of market research which showed they had little likelihood of becoming commercially successful.

—Ernst Mendels in *Printers' Ink* 8/2/57

What should employees be taught about the company and the economy?

Economic Education for Employees: A "Low-Pressure" Approach

ALTHOUGH the failure of traditional approaches has frequently led companies to abandon attempts to educate their employees in the field of economics, not all companies have given up the challenge. One of these (Esso Standard Oil Co., New York) has continued to provide this type of education, but has steered away from the orthodox methods of the past.

There have been many things wrong with the way the problem of interpreting our economic system to employees has been handled. In a number of cases, employees felt that management was talking down to them. Often there has been extreme oversimplification of the subject matter. Some of the "programs" have presented an image of our system that was more idealized than factual.

Several years ago, Esso management decided to make a special study to determine what part, if any, the company should take in economic education for employees.

In practice, Esso found that employee education fell largely into three categories: basic economics, free enterprise philosophy, and plain facts and figures about the company and business activity generally. These subjects were being disseminated through booklets and other literature, house organs, meetings, and fairly elaborate training courses.

Interestingly, the main emphasis in employee education as revealed by the study is still typical in many companies today. "Most of the programs," the report commented, "are . . . a counterattack against radical thinking or against distortions which have appeared in union publications. There is much of the feeling that 'We're in a fight.'"

Another frequently repeated theme —also still echoed in many company efforts today—was that a man should appreciate the benefits he is receiving under our system. To prove the point, comparisons were made showing how poorly he would fare in other countries. Often he was asked to appreciate the role of the stockholder and the difficulties of management.

After analyzing the total picture, Esso came to several conclusions. First and foremost, there was no necessity for a "counterattack." Nor was there any reason to crusade for any system or attempt to create feelings of appreciation. To do so would

be both ineffective and inconsistent with the company's philosophy.

Second, one reason many of the mass efforts at economic education fail is simply that they are terribly dull. The field is too complex, Esso decided, for much to be gained by even attempting education in basic principles.

Third, merely furnishing information is not enough. "We are out to secure understanding," according to one Esso spokesman, "and with it real benefits in attitude. Often what appears as a misconception is verbalization of a poor attitude. Trying to correct that misconception through facts alone will only mean that the poor attitude will be expressed in some other way."

Summing up its policy, Esso management said: "We hope the experience of our people under the free enterprise system, as practiced in this company, will be good. We hope this experience will aid their natural inclination to support the free enterprise system. However, we see no advantage in having the company accept a responsibility to crusade. Our job is to provide the proper type of internal communications. These communications should deal almost exclusively with information about the company."

The dilemma today, Esso management believes, originates in the isolation of the worker from the policy-making apparatus of the company. The problem of distance, however, is not insurmountable, if the worker's interest can be aroused. To do this, Esso maintains, it is absolutely essential to emphasize "What is the effect on the individual?"

"It is fundamental that anything we do must show in itself how the problem affects the man," Esso says. "Then any action must undertake to develop his confidence in the way the company is handling the situation."

Essentially, what Esso has discovered is the importance of a "low-pressure" approach. Among policies that have been revised or initiated since the report are the following:

1. *Internal communications:* Responsibility was fixed for direction and coordination of this activity at both the headquarters and plant level.

2. *House organs:* A check showed that less than 10 per cent of the space in house organs was used to inform employees on economic subjects. Editors were encouraged to increase this coverage. Headquarters helps now by serving as a news bureau for information difficult to assemble locally.

3. *Company literature:* Substantial improvements and additions were made. For one thing, Esso found it was relying too much on material directed to the public rather than to the employee audience. A series of booklets on fringe benefits was promptly prepared.

4. *Orientation program:* This was extended to cover more people. In addition to familiarizing employees with the history, structure, and operations of the organization, the program conveys some important economic concepts.

5. *Supervisory training:* A new course dealing with the techniques of upward and downward communications was started.

Can management rely on the supervisor to relay information? "While we recognize his importance in the chain of communication," Esso management says, "a real question comes up with respect to his responsibility and effectiveness in the economic education of the employees. There is much he can do to influence attitudes and to create an understanding of day-to-day operations. However, when a substantial body of information must be conveyed, it is shortsighted to expect the supervisor to do all of it."

It must be recognized, Esso management points out, that the supervisor's thinking in many cases is not much different from that of the rank and file. He often needs special education to improve his own understanding.

To establish direct contact with the employees, Esso decided to institute employee forums. These are meetings of small groups, conducted periodically by management. They get a story across to workers and at the same time provide ample opportunity for questions. The small-meeting atmosphere, plus the use of the best training aids, encourages real acceptance of the message.

Employee forums have been held on such subjects as the value of the benefit programs, the fairness of the wage program, the "balance" that must be maintained in order to have a healthy business, the importance to the individual of the efficient operation of his unit in the company, etc.

Such subjects, Esso feels, provide the base upon which economic understanding is built.

■ EMPLOYEE RELATIONS BULLETIN, *August 14, 1957, p. 3:5.*

Are Engineers Different?

IS THERE SUCH A THING as an engineering personality? The answer seems to be no, judging from "A Profile of the Engineer," a series of three reports recently published by Industrial Relations News. While most engineers share a number of traits, there is a narrow but important range of temperamental differences to be found among engineers in different fields. Engineers in research and sales, for example, tend to be more enthusiastic and impulsive than their colleagues working in product, design, or operations engineering. They are also socially smoother.

As employees, all engineers tend to work most comfortably with a minimum of supervision. Nevertheless, they have a positive attitude toward authority, both up and down the line. The engineer has above average mental ability, but it is usually restricted to a particular field or specialization. Responses to personality tests reveal that the engineer's concentration on mechanical and impersonal matters is maintained at the expense of his development as a social being. He applies far less intelligence to human relations that he does to purely technical matters, and shows little interest in the social sciences, public affairs, or even in those aspects of physical science which don't immediately relate to engineering.

—*Commerce* 9/57

BRIEF SUMMARIES
of other timely articles

GENERAL

HOW TO INTERPRET FORECASTS. By Robinson Newcomb. *Nation's Business* (1615 H Street N.W., Washington 6, D.C.), December, 1957. Reprints 15 cents. Businessmen preparing a forecast today have available to them more sources of information than ever before, but data can be easily misinterpreted unless the forecaster is aware of some inherent pitfalls in the statistics and indices he obtains. In this article, the author describes some of the pitfalls that can result in serious forecasting errors and suggests how they may be avoided.

EXECUTIVE APPRAISAL AND COUNSELING. By O. A. Ohmann. *Michigan Business Review* (School of Business Administration, University of Michigan, Ann Arbor, Mich.), November, 1957. Gratis. Reluctance and antagonism created by personality-centered job appraisal and counseling can be eliminated by judging a subordinate on the basis of operating results rather than personal qualities, says the author, who cites the benefits his own company (Standard Oil Company of Ohio) achieved from switching to a problem-centered approach. Pointing out that this method is less likely to have negative and critical overtones, he describes how it is used in appraising and counseling refinery managers and divisional sales managers.

WILL THE "SYSTEM" BE YOUR MARKET OF THE FUTURE? By Saxe Dobrin. *Industrial Marketing* (200 East Illinois Street, Chicago 11, Ill.), November, 1957. 25 cents. Tomorrow's markets may not be single companies or individuals, believes the author, but complex industrial "systems," each of which will use great varieties and quantities of industrial products to supply new products and services to the consumer. Pointing out that the Air Force has already adopted the "systems" concept for the procurement of advanced weapons, the author predicts that this approach will be used by civilian industry in such future fields as the conversion of sea water to fresh water, solar heating, and weather control.

IMPROVING COMMUNICATION POLICY. By William Exton, Jr. *Advanced Management* (74 Fifth Avenue, New York 11, N.Y.), November, 1957. $1.00. Appropriate programs of communication are increasingly needed by management, says the author, emphasizing that the hasty selection of the means of communication or the premature placement of problems in the hands of specialists in certain media can actually complicate communications. In this article, he analyzes several case histories of unsuccessful communication attempts and outlines a suggested order of priority for evaluating problems in communication and selecting the most appropriate means of dealing with them.

TOOLING UP FOR THE AUTOMATIC AGE. By Eliot Janeway. *Harvard Business Review* (Soldiers Field, Boston 63, Mass.), November-December, 1957. Reprints $1.00. The competitive pressure of Russia's technological accomplishments is lengthening our investment and production lead times, says the author, pointing out that the automobile

and other mass-production, mass-distribution industries have been replaced by the aeronautics, electronics, instrumentation, atomics, and missiles industries as the pace-setters of our economy. He maintains that this new long-term basis of the economy is depriving us of the cyclical breathing spells we still expect and multiplying our continuous requirements for money, for facilities, and for the skills to put them to work.

WHY COMPANIES GROW. *Nation's Business* (1615 H Street, N.W., Washington 6, D.C.), November, 1957. Reprints 15 cents. After a two-year study of two groups of companies—one with exceptional growth histories, the other with growth performances well below average—Stanford Research Institute has concluded that successful growth companies have certain characteristics in common: (1) organized programs to seek and promote new business opportunities; (2) an affinity for growth products or fields; (3) proven competitive abilities in their present lines of business; (4) courageous and energetic management, willing to take carefully studied risks; and (5) luck. Reporting on the results of the study, this article cites some concrete examples of what progressive companies are doing to maintain their growth.

1958 SITE SELECTION HANDBOOK. *Industrial Development* (Conway Building, North Atlanta 19, Ga.), October, 1957. $3.00. This special annual issue can be a helpful reference guide for managers seeking a new plant site which will yield maximum benefits at lowest operating costs. A checklist of factors to be considered in choosing a plant site is followed by a geographical directory of industrial development groups in this country and Canada, and there is also a special reference section listing industrial development corporations, planned industrial districts, location consultants, and the like.

INDUSTRIAL RELATIONS

WHERE DOES LABOR GO FROM HERE? By Daniel Bell. *Fortune* (9 Rockefeller Plaza, New York 20, N.Y.), December, 1957. $1.25. Organized labor is in its toughest spot since 1947, when the Taft-Hartley Act was enacted, says this article, pointing out that public hostility is high, union membership drives have slowed to a standstill, and labor's top leaders are growing "tired." Believing that the future of the labor movement will be dominated by two men—George Meany and Walter Reuther—and influenced by the shadow of a third, James Hoffa, the author discusses the backgrounds and philosophies of these key figures and some of their lieutenants.

HOW TO WIN COOPERATION FROM YOUR UNION. *Management Methods* (22 West Putnam Avenue, Greenwich, Conn.), November, 1957. 75 cents. Just as industry's new kind of professional manager is increasing in number, a new kind of professional leader is appearing on the labor scene, and this development may influence the future course of labor-management relations. This interview with one such union administrator (Edward Swayduck, President of Local 1, Amalgamated Lithographers of America) indicates the pattern of labor's emerging viewpoint and may provide information that will help companies to improve their own relations with labor unions.

INFLATION AND DEFLATION IN PENSION PLANNING. By Meyer M. Goldstein, Pension Planning Company (625 Madison Avenue, New York 22, N.Y.) Gratis. Pointing out that a 2 per cent annual rise in the cost of living, com-

pounded, doubles the price level every 35 years, a 3 per cent increase in 24 years, and a 4 per cent rise in 18 years, this pamphlet emphasizes the importance of considering inflation and deflation in the original design of pension plans. Among other methods devised to offset inflationary and deflationary effects, the author outlines obligatory cost-of-living adjustments, obligatory average final pay plans, periodic bring-up or repair methods, and variable annuities.

COST REDUCTIONS THROUGH GUARANTEED WAGES. By Don A. Seastone. *Western Business Review* (1445 Cleveland Place, Denver 2, Colo.), November, 1957. $1.00. Guaranteed wages and supplemental unemployment benefits shift the labor cost structure of the firm from variable to fixed costs, the author says, and managements have consequently approached guarantees with considerable caution. But he believes that it is possible that guarantees can lower actual labor costs, and in this article he outlines some factors—including increases in productivity, decreases in turnover, tax savings, reduced overtime premiums, and improved labor-management relations—that may possibly result from the adoption of such guaranteed wage plans.

OFFICE MANAGEMENT

PAPER—MODERN INDUSTRY BURDEN. *Business Week* (330 West 42 Street, New York 36, N.Y.), October 5, 1957. 50 cents. With the volume of paperwork needed to conduct business growing every day, and with office space valued at $5.50 or more per square foot in desirable locations, management is taking a more searching look at records control, this article points out. After outlining some of the problems involved in records control, the author describes procedures for handling paperwork that have proven successful in various companies and discusses the pros and cons of centralized vs. decentralized record keeping in larger firms.

HOW TO EVALUATE CONTROL SYSTEM BIDS. By William D. Bell. *Control Engineering* (330 West 42 Street, New York 36, N.Y.), December, 1957. 60 cents. Because bids on developing and installing a complex data-processing system sometimes vary over 1,000 per cent —with each bidder guaranteeing to meet the same specifications—the prospective purchaser may fall into the error of choosing the supplier on the basis of cost alone, says the author. Actually, the buyer must recognize and take into consideration the fact that the extreme differences in bids are based on some important variables: (1) bids are not necessarily based on the same system concepts; (2) bids are not for the same quality of hardware; (3) bonus features may justify higher costs; and (4) underbidding may be due to lack of experience on the part of the supplier.

HOW TO OPERATE AND MAINTAIN A FORMS CONTROL PROGRAM. By Ray Marien. *The Office* (232 Madison Avenue, New York 16, N.Y.), November, 1957. 35 cents. Winning cooperation from top management and company department heads is essential for any forms control group that hopes to achieve increased efficiency and maximum savings through its program, the author says. He points out some ways of gaining a favorable attitude and offers tips on various forms control procedures, including: (1) consolidation of forms, (2) speeding the requisition process, (3) numbering forms, (4) making monthly reports on savings achieved, and (5) selecting the best methods of ordering specific types of forms.

PRODUCTION MANAGEMENT

COATINGS ARE EVERYBODY'S BUSINESS. By Melvin Mandell. *Dun's Review and Modern Industry* (99 Church Street, New York 8, N.Y.), December, 1957. 75 cents. Citing the many uses of coatings for protection, decoration, fabrication, and maintenance of products, packages, or plants, the author maintains that coatings are a complex and universal industrial problem. In this article, he outlines new developments that can help to save production or maintenance dollars or gain sales dollars, and suggests some sources of new ideas and solutions to problems that are available to manufacturers.

POWER DRIVE MODERNIZATION MANUAL. *Mill & Factory* (205 East 42 Street, New York 17, N.Y.), October, 1957. 60 cents. A comprehensive guide to the newest types of power drive equipment is provided in this special 55-page section, which reports that the latest improvements in the field include easier maintenance, closer speed control, smaller sizes and lighter weights, and greater short-circuit protection. Among the many types of equipment described and illustrated are: (1) electric motors; (2) motor starters and controllers; (3) switches, circuit breakers, and fuses; (4) electrical variable speed drives; (5) gear drives; (6) chain drives; (7) clutches; and (8) lubricants.

HELPING VENDORS BOOST QUALITY. By James H. Flaker. *Factory Management and Maintenance* (330 West 42 Street, New York 36, N.Y.), December, 1957. $1.00. In order to guide their purchasing department in ordering from vendors who supply the highest percentage of usable parts per delivery, one company (Lycoming Division, Avco Mfg. Corporation) has established an easy-to-run procedure for rating incoming goods. In this article, the author describes the operation of this system which, he claims, has contributed to an upgrading of vendor quality and made it possible to eliminate those who do not supply a quality product. An illustration shows how the company's Vendor Rating Sheet is filled in to rate each lot as well as the vendor's total performance.

MARKETING MANAGEMENT

GETTING MORE SALES FOR YOUR MARKETING DOLLAR. By Richard D. Crisp. *Dun's Review and Modern Industry* (99 Church Street, New York 8, N. Y.), November, 1957. 75 cents. The pressure is on marketing executives, says the author, to produce more sales volume and to bring sales costs down—at least in terms of the proportion of the sales dollar they represent. In this article, he describes a positive program of marketing cost control designed to measure territorial variations in sales performance and make it possible to concentrate sales effort on the low-performance territories that offer the biggest profit possibilities.

THIS MARKETING PLAN BUILDS PROFITS. By A. J. Gallager. *Nation's Business* (1615 H Street N.W., Washington 6, D.C.), December, 1957. Reprints 15 cents. Marketing effectiveness can be greatly increased at no additional cost, according to this article, by redirection of selling effort, advertising, and promotion to concentrate on the small percentage of customers who actually account for the company's most profitable volume. Using examples drawn from the experiences of various companies, the author outlines steps for establishing specifications for a profitable customer and for determining where and how he can be reached.

WHAT'S HAPPENING TO COLOR TRENDS? By Randell Cook. *Sales Management* (386 Fourth Avenue, New York 16, N.Y.), November 1, 1957. 50 cents. Pink refrigerators and blue telephones are just two examples of the new importance of color in the marketing of consumer products today, and according to the author even the color of a price tag can be an influential factor in a consumer's final choice among competing products. In this article he reports that (1) the use of metallic colors in packaging and home furnishings is growing; (2) regional variation in color preferences is very slight; (3) sharp clean colors are dropping off in popularity, while muted pastels are gaining; and (4) pinks are losing ground to browns and greens.

CHALLENGE TO INDUSTRIAL ADVERTISING: STIFFER COMPETITION FOR EVERY SALE. *Printers' Ink* (205 East 42 Street, New York 17, N. Y.), November 15, 1957. 25 cents. Citing the McGraw-Hill survey of business plans, which estimates that spending for new plants and equipment will be down by 7 per cent in 1958, this article points out that the market for industrial goods is now a buyer's market, and that suppliers may find it harder to sell goods in 1958. In order to stay ahead in the race, the authors suggest, many companies will want to examine their advertising program—whether it has been neglected, how it can be improved, and how it can be aided by the various services that are available to industrial advertisers.

FINANCIAL MANAGEMENT

FOURTEEN IMPORTANT RATIOS IN 36 MANUFACTURING LINES. *Dun's Review and Modern Industry* (99 Church Street, New York 8, N.Y.), December, 1957. 75 cents. Compiled as an aid to manufacturers in checking their own performance against that of their competitors, this chart of 14 important ratios provides a useful tool for identifying possible financial trouble spots. Median and quartile figures—which are given for such ratios as current assets to current debt, net sales to inventory, inventory to net working capital, and current debt to inventory—are provided for 36 different types of manufacturing companies.

INVESTING IN SPECIAL AUTOMATIC EQUIPMENT. By Powell Niland. *Harvard Business Review* (Soldiers Field, Boston 63, Mass.), November-December, 1957. Reprints $1.00. On the basis of an analysis of the experience of a number of companies that have invested in automation projects, the author suggests three major pitfalls in the calculation of such investments: (1) failure to consider the possibility of premature obsolescence of the equipment; (2) neglect of certain cost factors peculiar to automation equipment; and (3) the wide range of probable error to which even a thorough estimate of required investment is subject. He outlines these important trouble spots and offers ways of avoiding them.

SPLIT-DOLLAR AND BANK-FINANCED INSURANCE PLANS. By Benjamin M. Becker and David M. Sloan. *Taxes* (4025 West Peterson Avenue, Chicago 30, Ill.), Nov., 1957. 75 cents. A properly proportioned reservoir of life insurance protection for key employees is as essential to a company as are its fixed assets and inventory, believe the authors, but the effectiveness of such a program requires both a skillful analysis of tax and legal implications and an accurate evaluation of the company's current needs and future resources. In this article, they discuss the advantages and drawbacks of two types of key-man insurance: the split-dollar insurance plan and the bank-financed insurance plan.

FOREIGN OPERATIONS

KNOW YOUR EXPORT CREDIT TERMS. By Alexander O. Stanley. *Dun's Review and Modern Industry* (90 Church Street, New York 8, N.Y.), November, 1957. 75 cents. The difficulties experienced by foreign countries in acquiring dollars and other foreign exchange to pay their bills is an indication that the system of carrying overseas accounts on credit will again become a popular vehicle, the author says. In this article, he reviews the experience of 118 U.S. companies that sold a total of $545 million abroad during the fiscal year ending June 30, 1957, and outlines the various credit terms on which they operated. Included is a table that breaks down terms of sale, volume, and payment experience of these companies by areas and industrial groups.

A BETTER WAY TO SELL THE WORLD'S MARKETS. By Martin Lowe. *Industrial Marketing* (200 East Illionis Street, Chicago 11, Ill.), November, 1957. 25 cents. With an increasing number of companies discovering they need their export business to maintain profits, it is imperative that slipshod methods of handling foreign distribution be eliminated through more intelligent use of roving field executives, maintains the author. Emphasizing the need for thorough, personal guidance of foreign distributors, he outlines some of the requirements for an effective field executive and some of the ways in which stagnating overseas marketing set-ups can be revitalized.

TAX CONSIDERATIONS IN ORGANIZING A BUSINESS ABROAD. By Alexander Cameron. *The Price Waterhouse Review* (56 Pine Street, New York 5, N.Y.), September, 1957. Gratis. Companies that plan to do business overseas should be aware of the tax consequences of their operations, the author says, pointing out that laws and regulations differ from country to country. In this article, he describes the tax considerations that must be taken into account in several important areas of business, among them the establishment and operation of a foreign subsidiary, currency exchange, "haven countries," and taxation of United States employees abroad.

RESEARCH AND DEVELOPMENT

RESEARCH AS A CORPORATE FUNCTION. By Merritt L. Kastens. *Stanford Research Institute Journal* (Menlo Park, Calif.), Third Quarter, 1957. $1.00. Even though actual laboratory work requires considerable freedom of environment, the corporate aspects of research can be planned, managed, and administered to about the same degree as other activities in a business, maintains the author. In this discussion, he takes a close look at some of the important factors that influence the corporate function of research and offers some benchmarks for determining what a research department can contribute to a firm.

THE TURN IN THE ENGINEER MARKET. *Fortune* (9 Rockefeller Plaza, New York 20, N.Y.), December, 1957. $1.25. The day has passed when a college engineering graduate was hired "just because he is warm," according to this article; every indication is that the supply of engineers is at least temporarily in balance with demand. Pointing out that such practices as overhiring in the hope of getting a few good men and overstaffing on cost-plus contracts are disappearing, the author questions whether the shortage was at least partially caused by the misuse of available engineers.

The Problems of Presidents

(Continued from page 8)

3. Another president's problem was an executive working in South America (where his company wanted him) who sought transfer to another company location where his services were less urgently needed. The man was persuaded to remain in his assigned post when the company president emphasized the comparatively greater value to the company of his experience there and offered him "consideration" for the desired transfer within three years. Thus, the president was able to placate the restless executive without making a binding commitment; this also provided a grace period in which to groom a successor for him if the transfer did later result.

4. A vice president of 14 years, while "very good" technically, remained "very poor" administratively. When efforts at improvement failed, his president reassigned him to long-term planning, where he is now both useful and happy.

EXECUTIVE REPLACEMENT

Sometimes high-ranking executives have to be replaced, and this is a problem that is almost invariably the president's personal headache. It's usually easy enough to fill an ordinary vacancy, provided second-line executives have been groomed for succession. But the abnormal situation is fraught with difficulties: The older executive may first have to be eased out—often a delicate situation that is painful for everyone. Moreover, if outside talent has to be imported, it can undermine the morale of the aspirants already on the staff.

The head of one company, for example, realized it was time to retire a veteran executive, but didn't want to dispossess the oldtimer peremptorily. The president hired an outside consultant to evaluate the company's line-up and recommend improvements. When the proposed retirement became one of a number of shifts, it was far more palatable to the executive in question.

An over-all answer to internal promotions and changes, says one chief executive, is this: In moving men up the ladder, make all job changes as "gradual and unobtrusive" as possible, so no one—either senior or junior—is jarred by precipitate action. "Men will

live by and accept gradual change," this company head observes, "but the less perceptible it is, the better."

PROBLEMS OF INDIVIDUAL EXECUTIVES

Personality conflicts are not infrequent among forceful, aggressive executives who are accustomed to autonomy within their own provinces. Following are some typical problems in this area:

1. In a dispute between a controller and production manager, each accused the other of infringing on his domain. Writes the company president: "I got them together and listened while each aired his feelings. Told them I'd listen to anything either of them had to say but that it would have to be said in the presence of the other man. Almost without my saying a word, they discovered they had just misunderstood one another's actions." In a similar dispute between a sales and personnel manager, their president relates, "They composed their own differences after talking it out. I only brought them together—and left the burden of agreement on them."
2. Confronted by a potential impasse between two "very capable" men who "thought little of each other's ability," their president put them on the same committee to face problems together. "They soon learned to have better respect for each other."

Sometimes the president himself is involved. One writes that his biggest problem was "working with the man who had hoped to get my job. I decided it would be best to leave him alone until he began to approach me. I offered praise whenever I could honestly do so. I encouraged him when the opportunity arose. It was a long pull, but I think he is now a loyal and effective associate."

Another was elected president over a senior vice president, 20 years ahead of him both in age and experience. The new president promptly named the older man his executive vice president and not only seeks his counsel frequently but also keeps him informed on all top policy matters—a privilege the vice president had not enjoyed formerly. The two now work together "with much mutual respect."

MARRIAGE, MONEY, AND MALADIES

What personal problems of key executives are brought to the president? The worst and most common personal problems, one president says, are "marriage and money—in that order." A number of

others seem to confirm this in their replies. And several mentioned that they have helped subordinates financially, sometimes anonymously.

A third common personal problem is illness, including alcoholism and other emotional problems. "A top man on my management team was on the verge of a nervous breakdown," reports one chief executive. "I talked things over with him, discussed emotional problems that most of us face at one time or another in our lives, gave him books to read, recommended a good psychiatrist and suggested a week's hunting trip on the company. He took my advice and I felt that I had saved a good man."

Another executive, a department head, wasn't seriously ill, but he was, as his president describes it, "withdrawing from his responsibilities." The president told him he wanted more help from him with the financial problems of the business, packed him off for some cost-and-budget schooling, and "he returned a new man—with a broader outlook."

COMMUNICATION PROBLEMS

Presidents of all ages are concerned with communication—getting ideas out and across so that everyone accepts them. They're equally conscious of the importance of stimulating upward communication. To this end, several presidents emphasize that all executives must be "good listeners."

"I believe nearly all human relations problems to be misunderstanding either of one's own or of others' motives," reports one chief executive. "A frank discussion with all concerned usually effects a solution."

One president cited the example of a product-development manager who complained about his title and salary. The president first compared the title with those in comparable plants, soon convinced the manager his designation was proper. Then the president revealed, for the first time, that this manager was the eighth highest-paid executive in the company. "He was invited to speculate on who in the company earned more than he without deserving it," the president reports. "His perspective was completely changed."

One plant manager quit to go into business for himself and was all ready to pirate away a number of key people. The president's

job: to retain the valuable personnel by getting at the job dissatisfactions that he felt the resigning manager had capitalized upon. Flying from a distant part of the country to meet the men, he told them frankly what he thought had been wrong and what he intended to do about it. The company won.

PERSONAL EFFECTIVENESS

If it is true that most of the problems of presidents have to do with people, it comes as no surprise that almost a third—just under 100 company presidents—cited the ability to get along with people as the one factor in their training and experience that helps them most in their present positions. Interestingly, however, the executives participating in the survey as a group are by no means complacent about their own traits of character or temperament, which affect their relationship with others. Asked to name their most pressing personal problem in their day-to-day business relationships, a considerable number turned the critical probe upon themselves rather than complaining about external problems or deficiency in others. Among the personal traits mentioned as handicaps in their day-to-day business relationships were: lack of patience (this got a fair number of mentions), irascibility, intolerance of the mistakes of others, and lack of skill in personal communication. Other complaints: "I expect too much of other people;" "I have to guard carefully against showing favoritism to certain individuals;" "at times I have great difficulty in making decisions that directly affect another person;" "I could be firmer and more persuasive;" "the problem is to retain a high moral code at all times;" "I tend to be verbose;" "have formed too close social relationships with other officials in the company." Several say that they have no personal problems that they know of, and one writes rather sadly, "no problems—except old age."

IS IT WORTH IT?

Over-all, the survey indicates that the typical chief executive does not regard his job as any bed of roses. It's hard work and harder worry—for the problems discussed here undoubtedly go home with the chief executive most nights. But the big question is, would he do it all over again if he had the choice?

In the overwhelming majority of cases, the answer is yes. If they had it to do over again fully 224 of the company presidents would go right back into business and, interestingly, 188 of them would choose the identical career they have had. So, despite all the worries, all the headaches, all the sleepless nights, one fact about the chief executive's job seems clear: Occupational choice is *not* one of the problems of presidents.

Eight Tips for Ulcerless Decision-making

EXECUTIVE DECISION-MAKING can never be an easy, routine job, but it doesn't have to involve mental turmoil and jagged nerves, either. Here are some tips for easing the strain of decision-making chores:

1. *Don't put it off.* That always leads to trouble and makes the final decision more difficult to reach.
2. *Consult and check.* The more you use the thinking power of other people in the company, the greater becomes the value of your own executive ability.
3. *When you've made the decision—forget it.* Mulling over the rightness of every decision is inviting ulcers in a hurry.
4. *Get into a relaxed frame of mind.* Decisions made under stress often result in the greatest headaches.
5. *Don't try to anticipate all eventualities.* Good decision-making naturally calls for some anticipation of end results, but the executive who tries to foresee every tiny and remote possibility only burdens his thinking processes unnecessarily.
6. *Cultivate decisiveness.* When the ability to be decisive is lacking, tension mounts within us and our problem becomes much more difficult.
7. *Eliminate the fear of failure.* This is the number one cause of physical and mental strain on executives, and must be conquered before consistently sound decisions can be made.
8. *Don't make snap decisions.* You should not let yourself be put in the position where you have to make a spur-of-the-moment decision. Facts you failed to consider will almost always show up to make your decision look bad.

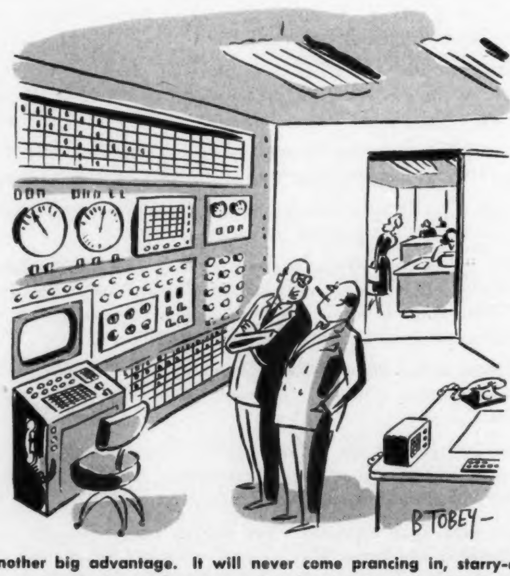
—Ernest W. Fair in *Industrial Marketing* 11/57

Any Time Is Vacation Time

EMPLOYEES who enjoy skiing, ice fishing, or other cold weather activities are getting a break, according to a National Industrial Conference Board survey, which reports that more and more companies are allowing off-season vacations. About half of the 301 companies included in the survey have expanded the vacation season to include the entire year.

As the amount of vacation time available to employees has increased, companies have found themselves facing serious problems when all the employees take their vacations during the summer months. Among these problems are interference with production, replacing the employees during their absence, and scheduling the work load. All-year vacations ease these difficulties.

A majority of the companies in the survey permit split vacations. In most of these cases the vacation can be split into one-week intervals. Although this is voluntary in almost all companies, two firms require employees to take the third or fourth week of their vacation at some other time. And a few companies that shut down for vacations require employees eligible for more than two weeks to take their additional time during the winter.



"Another big advantage. It will never come prancing in, starry-eyed, one morning and announce it is leaving to get married."

Unaccustomed as I Am . . .

(*Continued from page 13*)

Don't begin with an unrelated joke. Tell a joke only if it makes a point—and if it's not a tired old gag—and practice telling it smoothly.

One of the *worst* ways to start a talk is with an apology. At a recent public relations convention, two of the three members of a panel-workshop began by noting that there were many outstanding public relations men in the room who should really be on the platform instead of themselves, and so forth. Was it surprising that the audience wondered whether the session was worth attending?

Generally speaking, it's best to skip long introductions, and plunge into your subject. Many experienced speakers begin with a knowledgeable compliment to the audience, organization, or place. If you are pleased to be with the group, it won't hurt to say so. Such points of contact are vital in "reaching" your people.

Use tested devices for holding an audience's attention. For example:

1. A striking statement of fact or a provocative opinion to start things off.
2. Simplified figures, applied to your listeners' interests, in terms they are familiar with.
3. Illustrative examples of your thoughts.
4. Pertinent quotes. Use slang if it does a job for you.
5. Humor. (For an audience that is just getting to know you, and for later publication, it's wise to label humor as such.)
6. An effective ending. Seek a suitable quote, anecdote, or concluding thought. Try to leave the group with some plan of action—some way to put the ideas expressed into effect.

Always keep in mind that traditional speaking rules (such as never using a long word or sentence where a short one will do) can be broken if you have a good reason. For example, it is generally true that you should never use technical terms unfamiliar to your audience. Yet some business speakers have used technical terms quite effectively, explaining their meaning aptly and entertainingly as they went along. Many industries are full of colorful

terms and expressions that can do much to brighten up a presentation.

PRACTICE MAKES PERFECT

Many a well-prepared speech has failed for lack of rehearsal. If you run through a speech several times, you can usually speak from cards or notes, to remind you of main points. And you won't run overtime.

Speaking from notes or, when possible, without notes, is far better than reading a text. If you read a speech, you can't get the "feel" of your audience and know when to change your approach or pace.

Not long ago, a large audience shuffled its feet in boredom while an eminent chemical engineer read a 25-minute speech, seldom changing his voice, and looking up only occasionally. At the end he opened the meeting to questions, answering them in his own language, "off the cuff." In a few minutes the meeting came alive. The audience realized that the speaker was a human being after all, but it was too late to undo the damage.

PRESENTING THE TALK

Being "easy" in front of an audience comes from being well-prepared and well-rehearsed, and knowing that you are both. You don't need to be a VIP, but what you say must be important. You want your audience to go away thinking, "That man had something to say." If you want to stimulate or inspire your listeners, don't try to do it with cliché-filled prose and a resonant voice. Do it with arresting facts, human interest anecdotes, and stories of striking accomplishments by people who are not geniuses. Try to do this with brief, bold strokes. Even as far back as 1824, that remarkable man with words, Thomas Jefferson, complained, "Amplification is the vice of modern oratory."

While presenting your speech, be psychologically prepared for anything, because almost anything can happen. If you are a member of a panel, you may have to cut material because a preceding speaker deals with it in an ad lib, or through a misunderstanding. Perhaps you can salvage some of your talk by saying that you agree or disagree with him on the point, and explain why. Keep it

casual. You can also assume that the other speakers on *any* panel will talk overtime.

If you have your own material in hand, and plenty of it, you can handle any situation. In contrast, we have all sat through inept performances where a second or third speaker on a panel doggedly read his prepared text, even though it was blatantly repetitive. He should have deleted some of his material with a pencil, or in his mind, while the damage was being done.

Try to anticipate any "sticky" or difficult questions from the audience, and decide in advance exactly how to answer them. This is particularly advisable if your audience, through no fault of yours, may be apathetic or hostile.

Be psychologically prepared for such audience distractions as doors slamming, people coming in late, or the failure of the sound equipment. Humor will help you hurdle these things.

CUES FOR EFFECTIVE SPEAKING

Here are some additional pointers that will help you in preparing your talk and making it an interesting and useful experience for your audience, your company, and yourself:

1. Get clearance from the company. Any internal OK's that are necessary should be obtained, in writing, well in advance of the actual speaking date. Anything you say to a group may be discussed publicly or appear in print, and you must be prepared to stand back of your words. Frequently there are limitations as to what you, as a member of an organization, can or should say at a particular time. Talking "off the record" to a group is not only foolish, but frequently a practical impossibility.

2. Make copies of your speech. The planners of the meeting or occasion should have advance copies for press use; you can always make last-minute changes. It may also help to gain press coverage if you, or your company's public relations representative, will prepare a news release—a digest of your speech, or some highlights from it.

3. Use color slides, film strips, or charts whenever possible. These add a great deal to audience interest, but be sure to rehearse your talk with any aids you plan to employ.

4. When possible, look over the auditorium beforehand. You

can test any equipment you plan to use at this time, as well as familiarize yourself with the lighting, acoustics, etc.

5. Come early and meet the audience. This isn't a must, but it often proves extremely helpful to get the feel of a group in advance. You may find, for example, that some of the background material you felt you had to go through is old stuff to your listeners.

WHO BENEFITS?

Businessmen today are using the spoken word with increased effectiveness, as its importance as a means of group communication receives more emphasis. Many corporations, realizing the growing value of having good public speakers among their executives, are training their managers in the skills of effective speaking or sending them to outside courses to pick up these skills.

An invitation to speak presents an executive with an opportunity to make new friends for himself and his company through face-to-face contact with people he would meet only superficially, if at all, in the normal course of business. Moreover, meeting other people and organizations gives the businessman an insight into how his own company is regarded. Receiving communications is no less important than sending them.

And the executive himself benefits from his ability to speak effectively in public. For it is true that, as Clarence Randall has said: "The ability to speak and write the English language is indispensable today for advancement in business."

U.S. Nest Egg—Bigger Than Ever

PERSONAL SAVINGS in the U.S. have reached a new high. In the first half of 1957, the nation's accumulated savings in three long-term thrift media—life insurance policies, time deposits in mutual savings and commercial banks, and accounts in savings and loan associations—rose nearly $9 billion to a new peak of $253 billion, the equivalent of over $5,000 for every U.S. household, *The Journal of Commerce* reports.

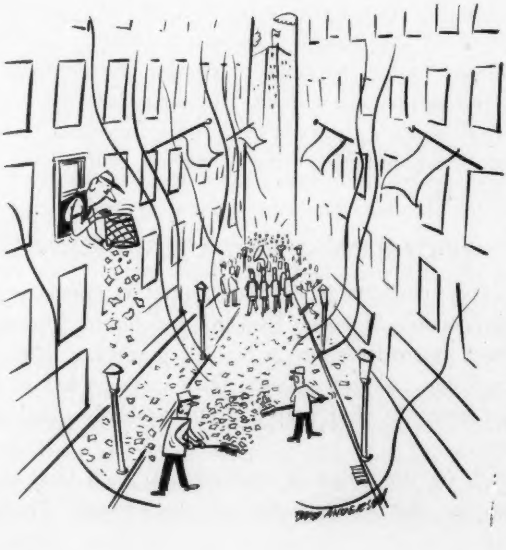
The increase in these three types of savings more than offset an aggregate decline of approximately $1½ billion in two other types: U.S. Savings Bonds and Postal Savings.

What Workers Think of Automation

MOST WORKERS prefer automated to non-automated jobs, according to a study of automobile workers recently conducted by a Michigan State University researcher, William A. Faunce. The study included interviews with 125 workers from four large machining departments of one of the most highly automated automobile plants in Detroit.

Although many workers in the survey expressed some dissatisfactions with automation—such as the feeling that the worker is isolated on the job—they still indicated a preference for this type of job. This preference is due largely to the decreased need for materials handling and physical effort in the automated plant. Automated jobs are also preferred because they involve more responsibility, and because they are more challenging and interesting.

The feeling of isolation in automated jobs can be blamed on machine noise, greater distance between work stations, and the need for closer attention to the work, according to the study. Other sources of dissatisfaction with automated jobs brought out by the study are: (1) increased feelings of tension or anxiety resulting from increased speed of production, the constant attention required, the cost of mistakes, and the frequency of breakdowns of automation machinery; and (2) feelings of alienation from the work, due to decreased control of the work pace and the fact that previously acquired machining skills are no longer needed.



Developing the Management Team

(*Continued from page 22*)

that appears among younger men must be taken into account. This philosophy should run through all levels and ages of management.

TOP MANAGEMENT'S ROLE

Carrying out this policy of early recognition with equal fairness to the business and to all candidates for promotion is one of the most difficult continuing problems of management. We try to safeguard it by having group judgments made of the abilities of each individual being considered, along the lines discussed earlier. Nevertheless, where there are several good candidates it requires persistent and stubborn effort—including a sustained push from the top of the company—to see that a reasonable proportion of promotions go to the younger men where potential, rather than experience, must be given the larger weight. All this must be done skillfully and with absolute impartiality; it will obviously create a difficult morale situation unless it is well handled.

Other things, of course, can be done to encourage and develop leadership—such things as transfers between departments where the broadening experience will be helpful, special assignments in unusual areas of activity, special classroom training in job-related subjects, and opportunities for men to glimpse the problems of other businesses through outside courses. Of course, both men and courses must be well selected, and on-the-job requirements must be balanced against the merits of the off-the-job courses and the time they will require.

INNOVATION—THE VITAL PLUS FACTOR

Finally, it is necessary to develop innovators among our leaders. Writing in *Nation's Business,* Howard S. Johnson, Director of Executive Development Programs at M.I.T., points out that innovation is a very rare but essential quality. If a business has it, it will be likely to go forward—if it hasn't, it will probably stand still or go backwards.

Innovators are the cream of leadership at each level of management, from the first level up through the officers. These are the

men who conform by being members of the team, but who retain great individualism in their management assignments. They are vital to businesses of all sizes, because even a one-man business must innovate or it will surely die.

It is really not too difficult to put together a management team that administers the day-to-day business of the company with reasonable satisfaction. But the pressing problems of the world about us—developments in Washington or in our state legislatures, changes taking place in our society, new products coming from our competitors' laboratories, actions of the competition generally—any of these may affect our business position almost overnight. For the stockholders, management's ability to meet these challenges, to innovate effectively, may well make the difference between a good investment and a bad one.

These are the matters that make top management earn its pay; they are the things most vital to business. The men at the top of the organization must be competent to deal with this fast-changing scene promptly and effectively.

COURSES: JOB-RELATED OR "NEW HORIZON"?

In this search for innovator leaders, some companies are turning to outside training at educational institutions or in special schools. Such schools could be divided into two categories: job-related, and non-job-related—the latter being what we might call "new horizon" schools. (This distinction is my own and obviously is not completely characteristic, since many courses attempt to cover some of each.)

The reasons for the job-related schools are fairly obvious. If there is intelligent selection of candidates and curricula and if the teaching is well done, they serve a useful purpose. For example, a man may grow and develop into a highly competent leader in operations without ever being exposed, in any hard sense, to the general problems of economics and finance, despite the fact that these subjects may be vital to his company's over-all success. If he has potential for greater responsibility, it makes sense to see that he gets a working view of these subjects. Similarly, a man who is developing well in the accounting and finance end of the business might well profit from a course in industrial relations or merchandising. Such job-related courses tend to increase the working horizon of the men we

look to as innovators and to increase their potential value to the company, both in their present jobs and when promoted.

The other type of outside schools for management people, the non-job-related schools, concentrate on instruction in the arts, the social sciences, and philosophy. These schools attempt to make more rounded citizens with "new horizons," on the theory that these new vistas will make better leaders and innovators.

This conclusion is open to doubt. The world, throughout our whole adult lives, is full of opportunity to indulge an interest in the arts and social sciences on our own time and under our own steam. But if we have not accepted these intellectual challenges for ourselves, going to school under orders will not help much.

It might also be questioned whether a wide interest in these areas is essential, either to personal happiness or to distinguished leadership in business. I have found no convincing evidence that several months off the job as a student of the arts makes either a better leader or a happier man.

In short, I cling to the old-fashioned notion that the way to be effective and happy on the job is to work at it with everything you've got. One's reward comes from doing today's job a little better than the job calls for, and men who perform their tasks this way will find their proper level in an organization. They can, of course, be helped to develop as better bosses and better leaders, both through work on the job and job-related training.

NEEDED: MANAGEMENT SUPERMEN?

Many businessmen and observers of the management scene believe that, because businesses tomorrow will be much larger and more complex than they are today, a vastly improved breed of managers will be needed. Improving our managers is a worthy objective, to be sure, but I doubt the foregoing premise very much.

It is probably impossible, in any case, to create or develop management supermen, and, fortunately, supermen are neither necessary nor desirable. Our job today is twofold: first, to insure that we have a sound organization structure that can support growth; and second, to develop an efficient management team—if possible, one with a little more potential than that of the present team. Both of these, it seems to me, are realistic and attainable objectives.

SURVEY OF BOOKS FOR EXECUTIVES

HOW TO GROW IN MANAGEMENT. By James M. Black. Prentice-Hall, Inc., Englewood Cliffs, N. J. 246 pages. $4.95.

*Reviewed by Edith Lynch**

Many of our mothers became good cooks by trial and error—by using a pinch of this and a dash of that—but many more young housewives today are even better (and more consistently good) because they follow clearly written and tested recipes. By the same token, although Mr. Black does not quarrel with the old-timers who made the grade the hard way, he does make it clear that most good managers are made, not born, and that the surest road to executive competency is assiduous labor and the observance of certain basic ground rules.

How to Grow in Management is a recipe book for middle-management personnel. It is designed for the up-and-coming executive who is willing to be observant, to learn, to work, and, when opportunity comes, to take a chance. It will hold no interest for men who are content to remain in a comfortable rut.

Mr. Black covers the basic functions of management—self-evaluation, human relations, decision-making, delegation, communication—and discusses such various ideas as the relationship of the boss and his potential successor, the influence of a wife on her husband's career, and how and when to write office memos.

Although these subjects will not be new to practicing executives, the author's treatment may be. His observations are illustrated by stories and anecdotes drawn from his experiences and from talks with executives throughout the country. When he speaks of Hiram Hall and his experiences at the bargaining table, of Cyrus Ching and his pipe-smoking deliberations, of Mathew Gouger's philosophy, he is speaking of men he has known and associated with. And those who are familiar with Mr. Black's writing in *The Saturday Evening Post* and *Esquire* will not be surprised to find flashes of humor that keep the book lively and more readable than the usual tome on management development.

The would-be climber who thinks he can advance by stepping on others, the manager who calls conferences after already deciding the issues himself, the boss who is too important to concern himself with pertinent details—these men are not likely to attain top executive positions, in the

* Assistant Manager, Personnel Division, AMA.

author's view. He re-emphasizes some of the time-honored virtues—sincerity, courtesy, honesty—that are essential and have their rewards, but are too frequently overlooked by aspiring executives. At a time when social graces are easily forgotten, it is helpful, too, to be reminded that "management expects you to know how to handle your social obligations, both in and out of the company," and that "what you do away from the office is an important factor in your development as an executive."

Self-evaluation tests are inserted after each chapter to help the reader rate himself, and two fairly comprehensive tests, "How Do You Score Your Boss?" and "How to Rate Your Own E-Q (Executive Quotient)" conclude the book. Readers who find this type of quiz irritating can easily skip these pages, but those who answer the questions honestly may discover some interesting traits and habits they didn't know they had. And, since the tests are inserted on separate sheets of pink paper, low scorers can rip out the evidence before passing the book on to someone else.

How to Grow in Management contains valuable ideas for every ambitious middle-management man, but it should also interest top managers and be valuable to students and others planning to enter the management field. These useful guides to self-development should help the reader to make a careful inventory of his own potential, to recognize and compensate for his weaknesses, and to work toward the goals he has set for himself.

Briefer Book Notes

(Please order books directly from publishers)

GENERAL

TECHNIQUE OF EXECUTIVE CONTROL. By Erwin Haskell Schell. McGraw-Hill Book Company, Inc., New York, 1957. 357 pages. $5.50. This eighth edition of a text originally published in 1924 contains new chapters on executive self-development, delegation, and creativeness. The chapter on executive reading has also been brought up to date. Among the other areas discussed are attitude and morale, tools, control, public relations, and difficulties with subordinates, associates, and superiors.

AUTOMATION: *What It Is, How It Works, Who Can Use It.* By Carl Dreher. W. W. Norton & Company, Inc., New York, 1957. 128 pages. $2.95. This nontechnical presentation explains such concepts as communication, information, memory, programming, control, and feedback; outlines the history of automation; describes its methods and applications; and suggests its social and economic results. Numerous cartoon illustrations are used throughout.

LEADERSHIP IN THE TWENTIETH CENTURY. By L. F. Urwick. Pitman Publishing Corp., New York, 1957. 88 pages. $2.75. A collection of five lectures, originally delivered in London, on the social necessity for leadership, the psychological bases of leadership, what the leader does, some classic examples of leadership, and the development of future leaders.

AUTOMATION IN BUSINESS COMMUNICATION. By Robert E. Moore. Vision, Inc., New London, Conn., 1957. 146 pages. $3.50. A self-help guide to writing business reports and memoranda. The author outlines various steps such as determining the purpose and audience, gathering information, organizing material, using illustrations, and writing clearly. Several chapters are devoted to punctuation and grammar.

INTRODUCTION TO STATISTICAL REASONING. By Philip J. McCarthy. McGraw-Hill Book Company, Inc., New York, 1957. 402 pages. $5.75. Using a nonmathematical approach, this beginning textbook in statistics uses illustrative material from the social sciences. The first part deals with such fundamentals as variables, distribution, measures of location and variability, random sampling, and probability. Among other topics discussed are the binomial model, large sample theory, the elements of sample design, and the models used in linear regression and correlation.

THE GRIM TRUTH ABOUT LIFE INSURANCE. By Ralph Hendershot. G. P. Putnam's Sons, New York, 1957. 118 pages. $1.95. The author's main thesis is that protection and investment are separate functions and should not be combined in life insurance. He attacks insurance practices under such headings as overcharges, phantom savings accounts, booby-trap cash values, and mutual company dividends as repayments for overcharges. Included are recommendations on the desirable amounts and kinds of life insurance and specific suggestions for improvements in contracts.

KRUSHCHEV OF THE UKRAINE: *A Biography*. By Victor Alexandrov. Philosophical Library, Inc., New York, 1957. 216 pages. $4.75. Written in a popular style, this biography is based partly on public sources and partly on information said to have come from a former Soviet diplomat who was brought up with Krushchev and served with him on the Central Executive Committee of the Ukraine.

FACTORY AND MANAGER IN THE USSR. By Joseph S. Berliner. Harvard University Press, Cambridge, Mass., 1957. 386 pages. $7.50. A study of managerial behavior based on interviews with former Soviet managerial officials living in Western Germany and on Soviet publications and documents. The major part of the book covers the period from 1938 through 1956 with a final chapter on recent post-Stalin reforms. Among the topics discussed are the economic milieu, the goals of management, premiums and profits, the safety factor and production and procurement plans, falsification of reporting, the uses of influence, and the controls over management by the Ministry, the party, and the trade unions. Chapter notes and a comprehensive bibliography indicate the wide variety of source material used.

BUSINESS LOOKS AT BANKS. By George Katona, *et al.* The University of Michigan Press, Ann Arbor, Mich., 1957. 184 pages. $5.00. A report of a study based on interviews with 250 business executives about their attitudes

towards banks and the financial practices of their firms. The findings show the important part inertia, family interests, and loyalty play in financial decisions, and the relatively slight effect on borrowing of raising or lowering interest rates. They also bring out the subordinate role vice presidents in charge of finance often have in making decisions to borrow. The report discusses how firms distribute their deposits, how many banking connections they maintain, what their policy is with regard to investment of short-term funds, and how often and why they borrow.

ORGANIZATION: *The Framework of Management.* By E. F. L. Brech. Longmans, Green and Co., New York, 1957. 424 pages. $8.75. A comprehensive analysis of the structure of organization, written by a British management consultant. The first part deals with general principles, such as the nature and purpose of organization, functional responsibilities and relationships, the role of specialists, and the definition of responsibilities. The second part discusses organization in practice, including the mechanics of creating the structure, the responsibilities of top management, centralization vs. decentralization, committees and coordination, organization charts and criteria, and organization planning and management.

THE TECHNIQUES OF DELEGATING: *How to Get Things Done Through Others.* By Donald A. and Eleanor C. Laird. McGraw-Hill Book Company, Inc., New York, 1957. 195 pages. $3.95. A practical guide for the "busy executive" on how to delegate responsibility. Among the topics covered are how to determine the abilities of a subordinate, how to shift responsibility to him gradually, how to check his performance, what to delegate to simplify an executive job, and what to delegate to develop employees. The book contains self-help quizzes, cartoons, and a list of recommended readings and research sources.

THE BATTLE FOR INVESTMENT SURVIVAL. By G. M. Loeb. Simon and Schuster, New York, 1957. 311 pages. $3.95. A new edition of an investment guide first published in 1935. Several new chapters based on lectures and articles on a variety of investment topics have been added. These are appended to the original text which includes the author's views on how to make profits, what and when to buy, when to take a loss or realize a profit, and factors that determine market value.

INSTALLING ELECTRONIC DATA PROCESSING SYSTEMS. By Richard G. Canning. John Wiley & Sons, Inc., New York, 1957. 193 pages. $6.00. A comprehensive volume for executives concerned with the efficient installation of electronic data-processing systems. A company case history is used in illustration of such aspects as planning the installation, programming, physical installation, conversions to the EDP system, and early phases of operation. Material on the selection and training of personnel is appended.

AMERICAN BUSINESS DICTIONARY. By Arnold Lazarus. Philosophical Library, Inc., New York, 1957. 522 pages. $10.00. Brief definitions of the terms, business and government organizations, concepts, procedures, job titles, monetary units, laws, and abbreviations used in business. Among the many areas of business covered are accounting, advertising, business economics, data processing, industrial engineering, labor relations, management, marketing, personnel administration, and production.

AMA CONFERENCE CALENDAR

JANUARY-MARCH, 1958

DATE	CONFERENCE	LOCATION
January 6-8	SPECIAL PACKAGING CONFERENCE: "Formed Sheet Plastic for Packaging and Industrial Applications."	Commodore Hotel, New York
January 16-17	SPECIAL RESEARCH AND DEVELOPMENT CONFERENCE: "How to Plan Products That Sell."	Roosevelt Hotel, New York
January 21-24	ANNUAL WEST COAST GENERAL MANAGEMENT CONFERENCE	Fairmont Hotel, San Francisco
February 3-5	INTERNATIONAL MANAGEMENT ASSOCIATION CONFERENCE	Biltmore Hotel, New York
February 19-20	SPECIAL RESEARCH AND DEVELOPMENT CONFERENCE: "How to Adjust to Changing Business Conditions."	Biltmore Hotel, New York
March 3-5	SPECIAL FINANCE CONFERENCE on Electronics	Statler Hotel, New York
March 5-7	SPECIAL INSURANCE CONFERENCE on Employee Benefits	Drake Hotel, Chicago
March 19-21	RESEARCH AND DEVELOPMENT CONFERENCE	LaSalle Hotel, Chicago
March 31-April 12	SPECIAL MANUFACTURING CONFERENCE on Purchasing and Materials Management	Palmer House, Chicago

To register or to obtain additional information on any of the conferences listed above, please contact Department MJ, American Management Association, 1515 Broadway, New York 36, N.Y.

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